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509

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**THIAGU RANGANATHAN
TIRTHA CHATTERJEE
RUCHA TAKLE**



Centre for
Development Studies
Thiruvananthapuram - 695011
Kerala, India

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Value Chain Configuration in the Indian Tea Economy: A Historical Perspective¹

Thiagu Ranganathan², Tirtha Chatterjee³, Rucha Takle⁴

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²Corresponding Author. E-mail: thiagu@cds.edu. Associate Professor, Centre for Development Studies (CDS), Prasanth Nagar, Ulloor, Medical College P.O., Thiruvananthapuram, Kerala – 695011.

³Assistant Professor, Jindal School of Government and Public Policy, O.P. Jindal Global University.

⁴ Research Associate, Abdul Latif Jameel Poverty Action Lab (JPAL) South Asia.

Abstract

This paper chronicles the growth of tea sector in India, tracing value chain configurations over the years. Tea arrived in India in the early 19th century as fallout of the British Empire's pressing need for an alternative tea producer to China. For a significant part of the colonial era, tea plantations sustained their profitability through wage suppression facilitated by laws enabling labour indenture. After the indenture laws were repealed, the tea economy improved its profitability by collusion in international tea markets, which artificially spruced up the tea prices. During the course of these transitions, tea predominantly remained an export commodity. It is only in the post-colonial period there was a surge in domestic demand since the 1960s. Subsequently, the beginning of 1990s also saw an emergence of small tea growers (STGs). This paper engages with a detailed historical overview of the value chain reconfigurations in the Indian tea sector.

1. Introduction

Indian tea sector encompasses an intriguing ecological, socio-political and labour history over the past 180 years in India. Across the world, history of tea trade and production along with other commodities like cotton, and sugar is closely related to the history of capitalism itself.⁵ As much as tea appears to be a humble drink that supposedly promotes “temperance”, production and trade of tea across the world has led to wars at times and unravelled extreme labour exploitation at other. Given the perennial nature of this crop, investment in tea production has also resulted in booms and speculative *manias* that have crushed many an enterprise by cultivating false hopes of ever-increasing profits. As a case in point, the growth of tea economy in India has to chronicle several intricacies in this history.

Currently, India is the second largest producer of tea in the world and the fourth largest exporter.⁶ Being the largest consumer of tea in the world, 80% of the tea produced in India is consumed domestically.⁷ In 2020-21, India exported 202 million kgs of tea and the total production of tea in India in 2021 was 1329.04 million kg which was cultivated over a total area of 618.12 thousand hectares. Notably, small tea growers produced 680.73 million kgs of tea during the year - more than what was produced by the plantation sector with only about one-third of land under tea cultivation.

The current value chain in tea production involves various players – small tea growers who produce green leaves, the bought leaf factories which process these leaves to produce “made-tea”, the plantations which produce green leaves and process them for “made-tea”, the auction brokers, the packers, blenders, wholesale and retail tea sellers who come together get tea from the garden to our cup. This value chain was not so elaborate when tea production began in India. The reconfiguration of a simple value chain to an elaborate value chain with different players at various nodes is a significant aspect for analysing the tea industry in India. This paper provides an historical overview of this value chain reconfiguration and the various events in Indian and across the world that lead to these transitions.

Historically, there have been few commodities like tea, cotton, and sugar that have widely spread across the world through a series of dramatic events. In particular, tea and sugar, which come across as humble consumption goods, have over the years played a huge role in scripting booms and busts across the globe. They have also metamorphosed capital-labour relations across the world. The arrival of tea in India was fallout of a pressing need for the British Empire in the early 19th century to find an alternate source of tea other than China. The Opium trade, which financed tea purchase for the British till then, had caused enormous damage to China and consequently led to Opium wars. There

⁵ For an excellent discussion of how tea trade and production in China and India is closely related to expansion of Capitalism, refer to Liu, A. B. (2020). For a study of centrality of cotton in the growth of capitalism, refer to Beckert, S. (2015). There are also studies on centrality of commodities like sugar in the power relations between countries like Mintz, Sidney W. (1986).

⁶ ITC Supplement to Annual Bulletin of Statistics, 2020, obtained from Tea Board Global Tea Statistics.

⁷ Executive Summary of Study on Domestic Consumption of Tea in India, Tea Board of India, 2019.

was a persistent anxiety related to Chinese supply of tea to Britain. It is in this background that the tea economy announced its arrival in India through discovery and experimentation and with a “*Tea Mania*” in 1860s, cemented its presence in the country. However, the challenge of maintaining low prices to compete with Chinese tea and sustaining profitability was arduous and the British resorted to labour indenture enabled by punitive contractual laws to resolve it. The laws had a huge impact on the lives of generations of labourers in the tea sector. The labour resistance and protests in the colonial era by various trade unions paved way for repeal of indenture laws and subsequent labour reforms.

Subsequent to the labour reforms, the great depression brought in another crisis which needed a strategic response from the tea plantation sector. This led to collusion of tea producers from other countries which spruced up tea prices to maintain profitability. It also sowed the seeds for growth of Small Tea Growers and exploration of Indian domestic demand for tea. These activities have had a pronounced impact on the progress of tea sector post-independence and the subsequent sections in paper will deal with these path dependencies in more detail.

Post-independence, the efforts to infuse Indian capital into tea sector was realised in a satisfactory manner only in the 1970s. During these years, there are also serious efforts at developing a domestic market for tea and trade for tea across various countries. Subsequently, India built a robust tea economy comprising not just of plantations but also a substantial number of small tea growers by the late 1990s. Over time, small tea growers have managed to provide almost equal contribution as the plantation sector in the tea economy. The tea value chain has transformed significantly since the colonial times with the emergence of STGs and share of domestic demand overshadowing share of export. The legacy of plantation and the labour struggles are still persistent in the economy. The glut in tea production, which has been a regular feature over many decades, has shown its ugly head in the recent times. The current value chain configurations and changes in demand composition have brought in various conundrums that require serious policy attention. This paper is an attempt to contextualise these conundrums with an historical overview.

An overview of Indian tea economy is incomplete if we do not cover the wide canvas of events that tea as a commodity has triggered worldwide. Hence, we proceed with our analysis by looking at the three aspects of tea production. First, we dig into dramatic conditions under which tea announced its arrival in India. Until the 19th Century, tea was referred as a “China drink” which spread across various Asian and European countries. A balance of trade crisis for the Colonial England triggered Opium trade with China and the Indian colony got entangled in this. It is at this juncture when there was anxiety related to Chinese supply of tea to the Empire, the British discovered tea grown in Assam. We dig into this history to present the initiation of tea production in India in the 19th Century. Second, we provide an overview of tea production in colonial India. The laws imposed in the colonial era had severe ramifications for the current tea economy, and hence we describe these in detail. Third, we analyse tea production in the post-colonial era. The period till 1990s was characterised by infusion of Indian capital into tea sector and tea production pre-dominated the

domain of plantation estates. The post-1990s saw an emergence and growth of tea production by small tea growers (STGs). The paper also discusses the value chain reconfigurations and the implications of the current price crisis for the tea economy.

The remaining paper is structured as follows. The next section provides a brief history of tea production and trade and the conditions under which tea production makes a theatrical entry to India. Section 3 discusses tea production in the colonial era, section 4 discusses changes to tea sector in post-colonial India, and section 5 concludes with policy implications.

2. Pre-colonial Period: Tea's Journey to India

This section will delve into the production and trade of tea in the pre-colonial era. Tea, in this period was primarily produced in China. The dynamics of the tea trade in the 18th century brought India as a passive player in tea trade. In this period, revenues from taxes in Bengal and sale of Opium Cultivation from Patna, Benares, and Malwa financed the tea trade for the British from China. This section will describe these aspects of tea trade and the phenomenal conditions under which India emerged as tea-growing nation in the 19th century.

2.1. Ancient origins of tea

The use of tea is traced as far back as in the 3rd Century A.D. in China, where tea seems to have primarily served a medicinal purpose. However, from about the 6th century, tea was used as a beverage and had become a popular beverage in the 8th and 9th century China.⁸ During this period, tea was typically made in cake form – either leaves dried as it is to form a cake or leaves ground to powder, which was, then were made into a cake.⁹ Notably, small farmers grew tea and the simplicity with which it could be produced led to extensive consumption of tea across all classes. Tea was considered a drink that had positive effects on health and in the words of *Lu Yu* who wrote among the first book on tea in 780 A.D. the following:

*“...In regard to drinks, boiled water is to quench thirst, wine to drown sorrow, and tea is to avoid sleepiness.”*¹⁰

Tea produced during this period did not involve much processing and had to be consumed locally. Only in the about the 12th Century did processing techniques develop which prevented immediate oxidation of tea leaves. As it became a transportable and storable substance, tea became a

⁸ Though there are some legendary references to tea grown much before in 2737 B.C and to Confucius in 550 B.C, but some of these enchanting myths have been destroyed in scholarly work. Refer to Ukers, W.H. (1935). pp. 1-3 and Ball, S. (1848). pp. 6-7. More recent evidence again seems to put tea drinking to a much older date making it difficult to know exact time of beginning of tea drinking in China. See Lu, H., Zhang, J., Yang, Y., Yang, X., Xu, B., Yang, W et al. (2016). Benn, J. A. (2015). pp.21. Mair, V. H., & Hoh, E. (2012).

⁹ Refer to Ball, S. (1848). pp.8. Tea in this period was also typically accompanied by sweet onions, ginger, jujube fruit, orange peels, cloves, peppermint, or salt. Refer to Surak, K. (2012). pp. 58.

¹⁰ See Griffiths, P. (1967). pp.7

wider article of commerce.¹¹Over time, along with growth of tea consumption by most people, tea connoisseurship also developed in 11th Century China, where ideal tea drinking was expected to consist of four essential things: fresh leaves, clean vessels, sweet spring water, and fine weather.¹²We observe this notion of tea being simultaneously seen as everyone's drink and a marker of good "culture" since the olden times.

The habit of tea drinking then spread to Central Asian and South East Asian Countries by the 17th Century. Similar to China, tea was perceived as an exotic drink in Japan to begin with before it became a popular drink.¹³Tea was also written about by Portuguese Jesuit Joao Rodrigues who made note of the traditional tea ceremony called *chanoyu* in Japan in the 16th Century.¹⁴This and other writings on tea did not have much impact on Europe initially.¹⁵Till then, there are only notes of European kings who were astonished to know about the Asians' custom of drinking "hot water" throughout the year.¹⁶ Things started to change from the middle of the 17th Century.

2.2. Tea reaches Europe

The European merchants began trade with Asia, primarily for spices as they were non-perishable, occupied less cargo space and had high profits. Subsequently though, tea reached Europe first through the Dutch. The book *Itinerario* by Dutch writer Linschoten published in 1596 describes how the Chinese esteemed tea as much as Diamonds, Rubies, and other precious stones. This seemed to have brought in serious curiosity among the merchants of the Dutch East India Company and the first consignment of tea to the Dutch was exported via Bantam, an island in Java in the year 1606.¹⁷ Tea spread its way to other countries in Europe over the next few decades, primarily as a status drink that was consumed by members of the upper echelons of the society. The beverage spread to England slowly after it was popular in France and Germany.¹⁸

¹¹See Benn, J. A. (2015). Pp.7. For a typology of processing techniques for different varieties of tea refer to Huang, H.T. (2000). Pp.551, Figure 128.

¹²See Hinsch, B. (2015) Chapter 4 for discussion on development of Connoisseurship in tea drinking in China.

¹³ It has been noted that the Buddhist priests helped the spread of tea as a popular beverage in China and Japan as it was seen as a drink that would promote temperance. The spread of tea in Japan was also accelerated following an incident in 13th Century A.D. when the emperor Shogun Sanetomo was apparently saved from severe illness caused due to over-feasting by tea made by an abbot named Yesai. See Ukers, W.H. (1935). pp. xii.

¹⁴Refer to Surak, K. (2012). pp.60.

¹⁵ For different initial references to tea in various European countries, see Ukers, W.H. (1935). Chapter III.

¹⁶ See Cooper, M. (1989). pp.101. In the chapter, Cooper notes an interesting incident of King Philip II given a drinking vessel for wine as a gift by the Japanese youth.

¹⁷See Griffiths, P. (1967). pp.14-15; Forrest, D. M. (1973). pp.19; Zhuang, G. (1993). pp. 96. Some other sources put the date of tea trade to Dutch to have begun from Japan on 1609 or 1610. See Rappaport, E. (2017). pp.33; Liu, A. B. (2020). pp.31.

¹⁸ In 1648, a French physician has noted tea as 'the impertinent novelty of the age'. See Forrest, D. M. (1973). pp.21.

In the due course, there are instances of private purchase of tea by British individuals as early as in 1615, but there is no reference to any formal tea trade until 1637.¹⁹ It is only in 1657 that the first public sale of tea has been recorded Coffee House.²⁰ Since then, there was constant push to market tea as a beverage in England. Image 1 presents the first advertisement of tea (the “China Drink called *Tcha*” approved by all physicians) in England in the year 1658. The record of tea drinking in England is more frequent in the following decades.²¹

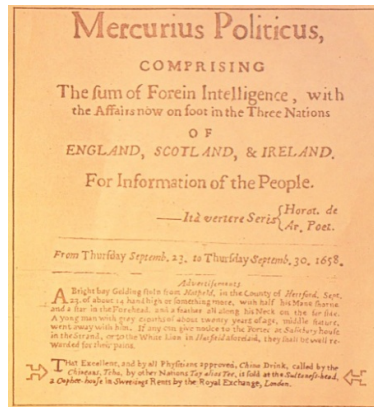


Image 1 First Advertisement of Tea in England c.1658

Source: <https://www.transferwarecollectorsclub.org/annex/image-gallery/copeland-lectures/copeland-lecture-spode-and-the-china-trade/2-sct-trc-1625/>

Importantly, the English East India Company got involved in purchase of tea. The first invoice of English East India Company (EIC) purchasing tea from China is found in 1669 where it purchased 143.5 pounds of tea. From a measly 222 pounds of tea imported by EIC in that year, the company imported about 0.5 million pounds of tea in 1719 (figure 2.1). There are three main reasons attributed to the rise in imports. First, an import of tea from Holland was prohibited by law from 1669.²² The competition between the Dutch East Indian Company and the English East India Company in the mercantilist era seemed to have been an important trigger for importing tea. Second, the Chinese emperor liberalised trade with Europe from 1685 in order to gain silver for the empire. Third, the imports to England consistently went up since the establishment of direct trade by EIC with Canton in 1713.²³ This establishment of direct trade helped the English EIC surge ahead of the Dutch

¹⁹ There is a mention of an English officer in India requesting an agent in Japanese island of Hirado for a pot of ‘chaw’ in a later dated 27 June 1615. See Ukers, W.H. (1935). pp. 37. Ukers (1935) also mentions of an incident in which the British merchants barged into Macao to get establish direct contact with Chinese traders. See Ukers, W.H. (1935). pp. 38. Also see Martin, R. M. (1832). pp.18.

²⁰ Ukers, W.H. (1935). pp. 38.

²¹ In 1660, drinking of tea was observed in the famous diaries of Samuel Pepys. After that, in 1662, Charles II married the Portugal princess Catherine who seemed to have been in love with tea and helped in increasing the popularity of the drink in the country. In a poem that praises the princess, the following lines attribute her superior powers to the Chinese drink, tea:

“The muse’s friend, *tea*, does our fancy aid;
Repress those vapours which the head invade!”

²² See Griffiths, P. (1967). pp.17

²³ Nierstrasz, C. (2015). pp.55-56.

EIC (VOC) in tea trade. The Dutch were still purchasing tea via Batavia before establishing direct trade only in 1729.²⁴

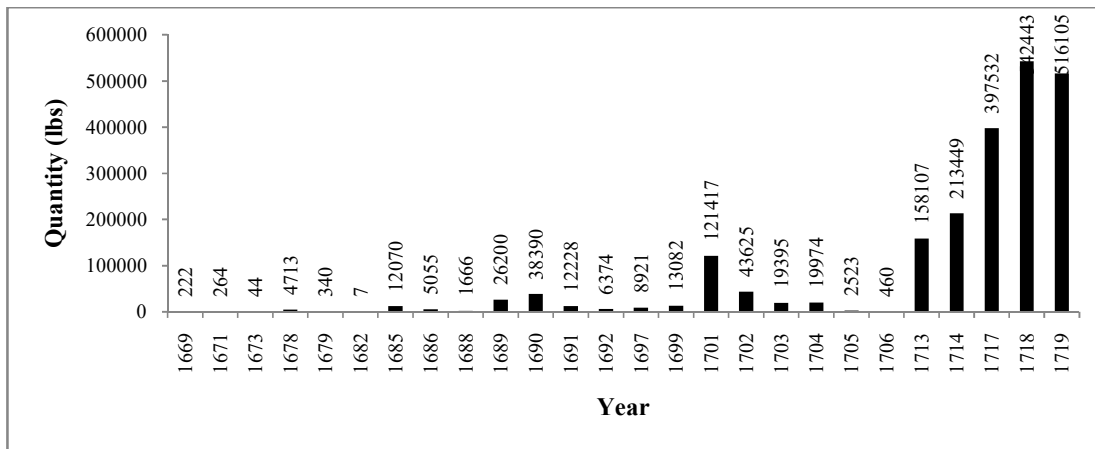


Figure 2.1. Tea Imports to England by EIC in pounds (lbs): 1669-1719

Source: Zhuang, G. (1993). Table in pp. 100.

Even after this expansion of EIC trade, the ‘revolution’ in consumption of tea in England had only just begun.²⁵ At this juncture, England had a surplus of sugar at that time and tea trade acted as a perfect complement for dealing with it. The habit of sipping tea with sugar since about the 1720s acted as an important catalyst to domestic tea market in England. Sugar produced from slave labour in West Indies and tea imported from China formed a significant part of imports to England since then.²⁶ Subsequently, the imports of tea from China crossed the 1 million pounds mark for the first time in 1721 and in a matter of next 4 decades grew more than six times to reach 6.2 million pounds by 1760 (figure 2.2). In value terms, tea imports formed 39.5% of total imports from China to England in 1760. From a meagre 0.1% in the 1699-1702 period, tea imports rose to 6.7% of total imports in the period 1772-74. The jump in trade post-1745 has been largely attributed to change in taxation of tea.

²⁴ Refer to Furber, H. (1976). pp. 244-45.

²⁵ There have been arguments that even by 1705, tea has become drink across all classes and rather than looking at the quantities imported, the price of types of tea imported indicates spread of all varieties of tea across different income classes in England. See Nierstrasz, S. (2015). Though this might be the case, the consumption of tea per person was to see further exponential growth in coming years.

²⁶ For an analysis how the combination of tea and sugar trade developed in Britain and why Coffee did not develop the same way, refer to Godoy, M. (2015). Also refer to Smith, W.D. (1992).

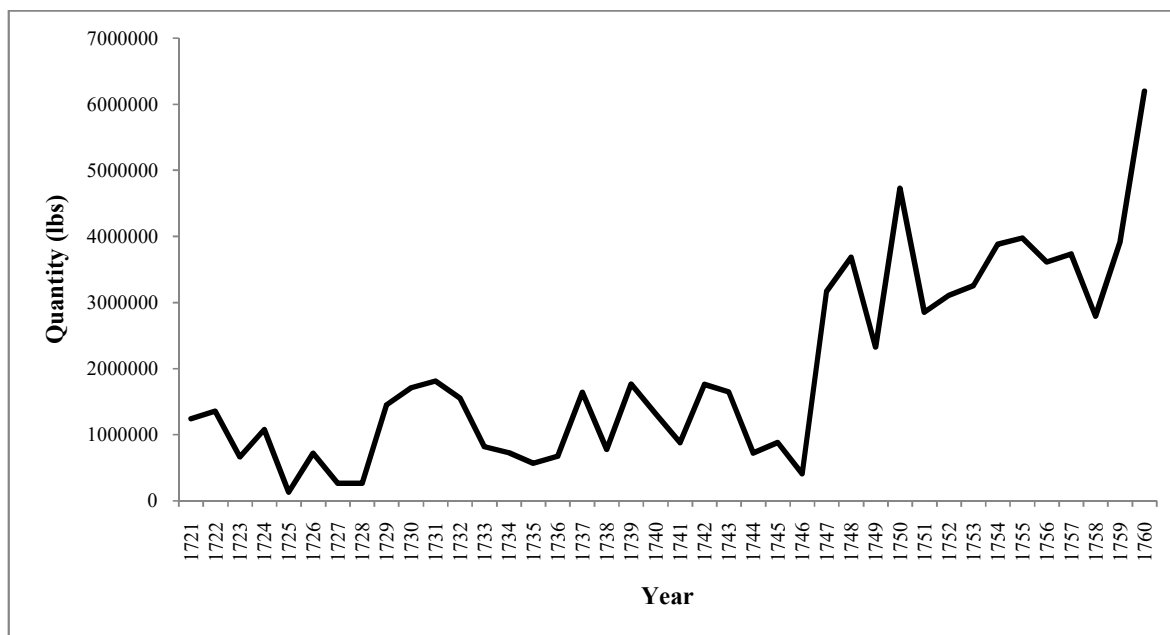


Figure 2.2. Tea Imports to England by EIC in pounds (lbs): 1721-1760

Source: Chaudhuri, K. N. (2006). Appendix 5: Table G.19, pp.557-58.

As tea became a significant trade and a consumption good, the taxes from tea started to become a critical source of revenue for the English government. Tea smuggling became a significant activity in England during this period. Two factors contributed to emergence of tea smuggling in England. First, tea was gaining popularity compared to conventional beverages like ale and beer and the government felt that the taxes on tea should be high enough to recover these revenues too. Also, these taxes were typically higher during times of war indicating that these taxes were used to finance the wars. Both these aspects implied that the English government imposed high taxes on tea. If tea was legally purchased through EIC auctions (also referred to as “fair tea”), the buyer had to pay an import duty on EIC sale and an excise duty on consumption which made the “fair tea” priced higher than the smuggled tea.²⁷ Second, tea was not such a popular beverage in other countries in Europe except among the Dutch. In most other countries, coffee was more popular than tea. The trade companies in these countries though were able to procure tea at a cheap price. This again implied a greater availability of tea which could be smuggled into England.

Subsequently, the English government started addressing the tea smuggling problem starting from 1745. Till then, tax on all types of tea was kept at 4 shillings per pound which disproportionately affected the prices of cheaper tea.²⁸ To bring parity, the taxes was changed to a tax of 1 shilling plus a 25 per cent ad valorem duty for all teas in 1745. This change gave an impetus to import of cheaper teas to England (figure 2.2). However, taxes were raised during wars at later points too. As a result,

²⁷ See Nierstrasz, C. (2015). Chapter 3.

²⁸ Bohea black tea was the cheapest tea at that time and given its prices was affected the worst, the other European trading companies bought this tea more and they found their way into England.

tea smuggling did not reduce significantly even after the change in taxation.²⁹ While tackling the issue of tea smuggling, the English government faced a quandary. Reduced tax rates could bring down smuggling and the consequent increase in tea brought in by EIC could compensate for tax revenue. But, this will not happen if EIC could not assure increased purchase of tea. It is at this juncture that the English government brought the Commutation Act in 1784 which reduced the tax on tea from the existing 119 per cent to 12.5 per cent.³⁰ This brought a great impetus to tea imports in England and reduced tea smuggling largely.³¹ The tea imports more than quadrupled over the next fifty years (figure 2.3).

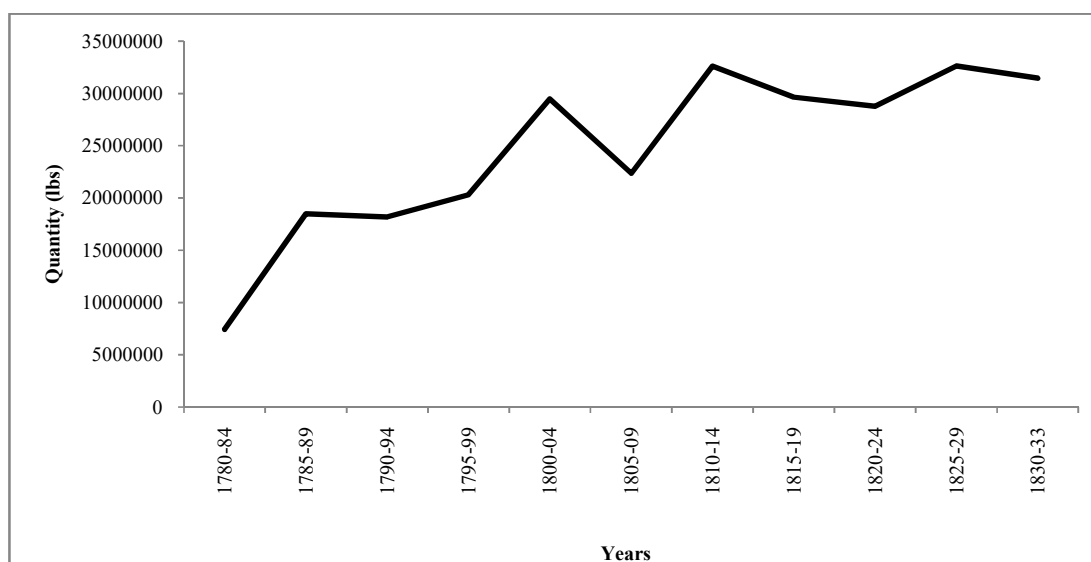


Figure 2.3. Tea Imports to England by EIC in pounds (lbs): 1780-1833

Source: Zhuang, G. (1993). Table in pp. 64. 1 picul=400/3 pounds.

2.3. Tea in America

As tea trade and consumption was developing in England, the same was happening in America too. Tea was introduced to America in the seventeenth century by the Dutch its New Amsterdam colony.³² The British colonised New Amsterdam in 1664 and renamed it as New York. The growth in tea consumption in America followed a similar trajectory as British tea over the next few decades. To simulate tea trade in colonies, Britain had established a system of drawback on duties for tea export to America and Ireland. However, this scheme was abused by merchants who first claimed to send the

²⁹ Between 1773 and 1782, an estimate of tea smuggled into Britain was 7.5 million pounds. This was based on the estimates of consumption in other European countries at 5.5 million pounds and trade to these countries at 13 million pounds. The difference was estimated as the amount smuggled into England. Other estimates put it about 3 million pounds. There are various estimates and various methodological aspects to be considered while figuring out an estimate of smuggling. For details on these, refer to Cole, W. A. (1958). and Mui, L. H. (1975).

³⁰ Illicit Tea Trades. Accessible at <https://www.tea.co.uk/tea-smuggling>. Last accessed: 24th February 2022.

³¹ A brief discussion on tea smuggling after 1784 is provided in Bowler, T. (2017).

³² Ukers, W.H. (1935) pp. 49.

tea to the colonies, but smuggled it back to England. This drawback scheme was abolished in 1745 and re-introduced with procedures that were more bureaucratic in 1748. During this period, tea smuggling into America was quite prevalent.

Like the British market, smugglers were the pioneers of tea trade in America. Smuggled tea is estimated to have contributed to almost 90 per cent of American market prior to 1750. As in England, the taxes varied with the war situation in England. Notably, there were several changes to taxation of tea in America following the Seven Years' war that ended in 1763. Subsequent to the war, the England first passed the Stamp Act in 1765 that imposed a tax on tea and other commodities used by colonies. This was met with severe protests in America and opposition to the ministry in England. Even though the British government repealed the Stamp Act in 1766, it claimed the right to directly tax the colonies in its Declaratory Act the same year. It then imposed the Townshend's Act in 1767 which levied duties on paints, oils, lead, glass, and tea. This brought in a consumer triggered protests where the Americans stopped consuming imported goods from England.³³

Britain repealed all the duties except a tax of three pence per pound on tea from 1770. The British parliament then passed the Tea Act in 1773 which gave EIC authority to directly import its tea into colonies and charge a three penny tax from colonial customs. The direct taxation of colonies without their representation in British Parliament angered the citizens and led to various tea parties, the first one being the Boston Tea Party on 16th December 1776. On this day, a group of 30 to 130 men boarded the three vessels with tea from EIC and dumped all 342 chests into the sea (Image 2). The total tea that was dumped weighed about 46 tonnes and was worth UK pound 9,659 which in today's value would equal \$1.7 million dollars.³⁴ This triggered tea parties in other cities of America and ultimately played a part in leading to American Revolution. These events also triggered America to become a non-tea drinking nation as it became a nation of predominantly coffee drinkers in due course of time.

³³ The discussion related to consumers' shifting toward non-importation is covered in detail in Breen, T. H. (2004).

³⁴ Boston tea party damage. Accessible at <https://www.bostonteatpartyship.com/boston-tea-party-damage>. Last Accessed: 25th February, 2022



Image 2. The Boston Tea Party of December 16, 1773

Source: (1789) *Americans throwing the cargoes of the Teaships into the river, at Boston.*, [Photograph]
Retrieved from the Library of Congress, <https://www.loc.gov/item/2002718863/>.

2.4. Financing Tea for the British

Along with smuggling and taxation, a key concern in British tea trade was related to financing the tea imports from China. When tea was imported in large amounts to England, there were no major exports from England to China and the draining of silver to China became a serious concern. It is in this facet of financing that India got entangled with tea trade during the 18th Century. With the victory of Battle of Plassey in 1757 and the Battle of Buxar in 1764, the British gained *divani* rights from Bengal, Bihar, and Odisha in the year 1765. In the following decades, this resulted in development of the Britain-China-India trade triangle where British transferred the value from India to China predominantly via purchase of tea from China.³⁵

Though cotton was initially the prime commodity exported from India to China, the establishment of Opium Monopoly by the British in the 1770s and export and smuggling of the same to China was the primary reason for British to forge a favourable Balance of Trade with China. This trade triangle implied that the British did not have to provide any silver in exchange for tea from China as tea was largely bought from Opium sales and smuggling resulting in a once improbable silver *drain* out of China. The magnitude of this trade was so high that in the 19th century, one-seventh of British India's revenue came from Opium exports to China.³⁶

³⁵ See Chung, T. (1974). Liu, A. B. (2020). pp.32-33. Williams, L. F. (1921) pp.8. Moghuls found Opium apart from an article of indulgence, to be a useful tool for dealing with political enemies who could be killed using infusion of poppy seeds in water given in empty stomach to them. See Owen, D. E. (1968) pp. 3.

³⁶ Owen, D. E. (1968) pp. vii.

It is important to note that even though Mughals too held a monopoly on Opium trade, the export of Opium to China never exceeded 200 Chests until the year 1767, indicating it was probably sold only for medicinal purposes.³⁷ The East India Company started exporting Opium to China from 1773. After the Chinese empire imposed severe restrictions on consumption and trade of Opium in 1796, the EIC continued to smuggle Opium to China through various ports.³⁸ The British transformed Opium production into a large industry by the end of 18th and beginning of 19th Century. In 1773, they decided to control the sale of Opium as a monopoly as it was not a necessary good but a luxury article and the exclusive right to supply Opium to the British was given to a Meer Muneer.³⁹ By 1797, the British assumed monopoly of manufacture of Bengal Opium manufactured in Patna and Benares.⁴⁰ Under this system, peasants were granted licenses to sow poppies. They were monitored throughout the season and the produce was purchased at a fixed price, only if it met the quality requirements. The received raw opium was sent to factories for producing opium balls of one and a half kilos each. These balls were packed in chests and sold off in Calcutta auctions (Image 3). Beyond the Bengal Opium, there was also *Malwa*⁴¹ opium that was grown privately as the region was not yet under British control.

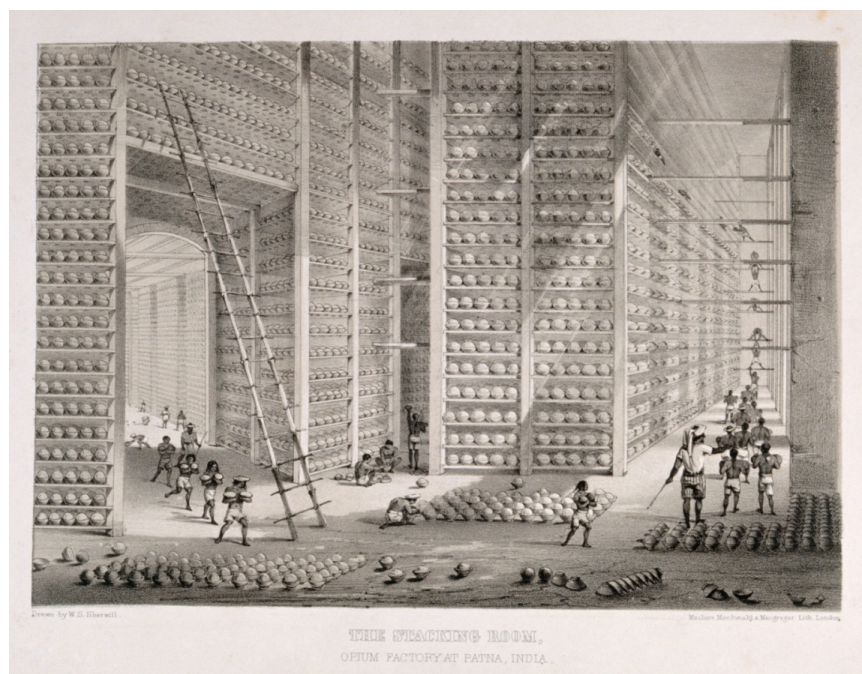


Image 3. The Stacking Room in an Opium Factory in Patna, India c.1850

Credit: A busy stacking room in the opium factory at Patna, India. Lithograph after W. S. Sherwill, c. 1850. Wellcome Collection. Public Domain Mark. Accessible at <https://wellcomecollection.org/works/xt2gg8fp>

³⁷ See Alexander, R. (1856). pp.2; Turner, F. S. (1876) pp. 5.

³⁸ Mander, S. S. (1877) pp.2

³⁹ Owen, D. E. (1968) pp. 23.

⁴⁰ Greenberg, M. (1969) pp.105.

⁴¹ *Malwa* region includes 80000 square kilometres in South West Madhya Pradesh and adjoining parts of Rajasthan. See Bauer, R. (2019). pp. 19. The details of Opium production in *Malwa* region is explored in detail in Farooqui, A. (1995).

Opium production and exports remained reasonably stable from 1797 to 1820 when acreage under poppy was maintained constant at 45,000 bighas or 28,000 acres. It is with the emergence of competition with *Malwa* opium, the production and export saw a phenomenal rise in the period from 1821-1830. For the next eight decades, both the Malwa Opium and Bengal Opium expanded together, saw rising exports, and improved revenues from exports.⁴² It was only in the first half of 20th Century that the efforts of anti-Opium lobby UK was successfully able to bring the Opium production and trade down to negligible amounts (figure 2.4).⁴³ It is crucial to note that the cultivation of poppy seeds did not bring any prosperity to either the Bengal or Malwa producers.

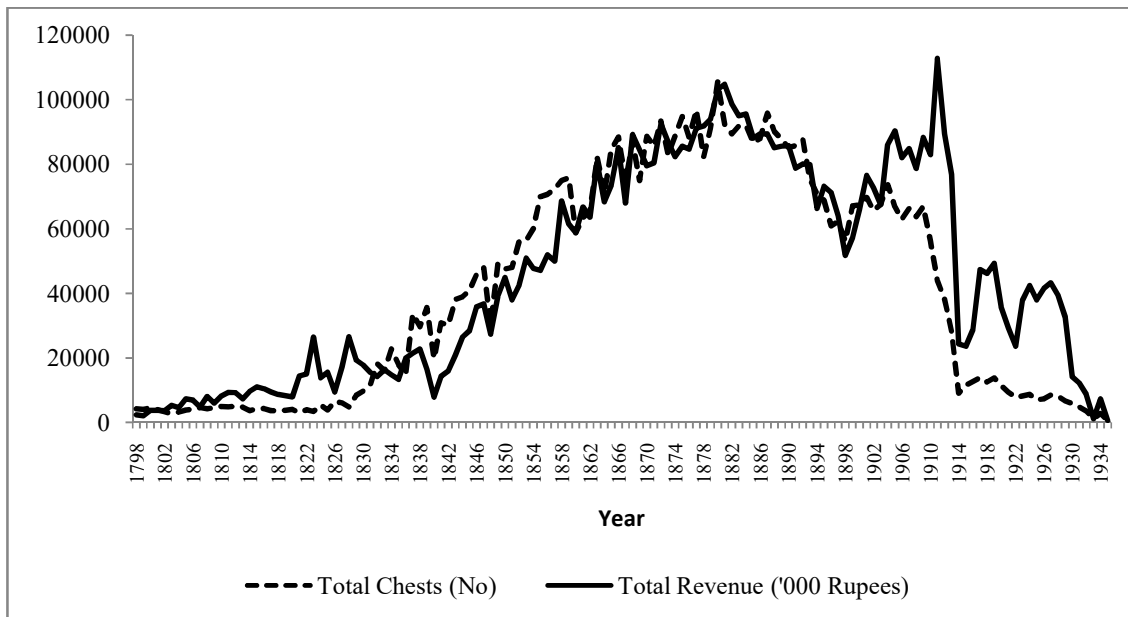


Figure 2.4. Opium Exports from India: 1798-1934
Source: Richards, J. F. (2002)

The trade financed purchase of tea and as mentioned before a silver drain out of China. Despite this, there were various reasons why British were focused on figuring an alternate source of tea from any other country. First, notwithstanding the volumes and value, Opium trade could hardly be called peaceful. The conflicts with China resulted in two Opium wars in the 19th Century: one in 1839-42 and 1856-60. There was a general anti-opium sentiment in China. Second, there were also severe anti-opium sentiments in England starting from the first half of the 19th Century. The perilous effects that Opium production and smuggling had on Indian peasants and Chinese people were severely critiqued by British commentators as early as in 1856.⁴⁴ Third, British wanted to develop

⁴² For the role of *Malwa* Opium in increased production and trade of Opium, refer to Farooqui, A. (2004).

⁴³ See Bauer, R. (2019). pp. 15-28.

⁴⁴ Refer to Alexander, R. (1856). British opium policy is severely criticised in Tinling, J. F. B. (1873). Another critical overview of the same topic is presented in Turner, F. S. (1876). It was followed by another critique in Mander, S. S. (1877). Also, for the more recent literature on the state of Indian peasants involved in Opium production, refer to Prakash, O. (1987); Richards, J. F. (1981); Biswas, S. (2019).

cultivation of new crops in India since the 18th Century. In a series of notes prepared by Sir Joseph Banks in 1788 on cultivation of new crops, there was a mention of possibility of tea cultivation in India in Bihar, Rangpoor, and Cooch Bihar.⁴⁵

It is in this background of hostile trade relations with China, high anti-opium sentiments developing in the British parliament, and pursuit of cultivating new crops in India that Colonel Latter noticed tea-drinking habit in Assamese tribes in 1815. Also, in 1823-24, Robert Bruce and Maniram Dewan identified existence of tea in Assam.⁴⁶ But, the emergence of any notable amount of tea production in India had to wait for two more decades. Gradually, the British managed to “steal their favourite drink” from China to India in the 19th Century.⁴⁷ The next section will describe the establishment and expansion of tea production in India.

3. Colonial India: India Tea makes a mark

The pursuit for tea production in India that began in the late 18th century got a real impetus in the third decade of the 19th century. By then, the British figured out that tea could be produced in Assam. The next question facing the British was related to organisation of tea production – whether to allow private tea production or control it using a monopoly. The decisions made concerning organisation of production had a tremendous influence on the tea sector and labour involved in tea for decades following it. The pressure on profitability in tea also increased post the ‘*tea mania*’ in the 1860s. After the *mania*, the enormous success of tea production in India compared to China involved intense exploitation of labour in the tea plantations. The labour resistance did see the end of labour indenture in the pre-independence period and emergence of few labour reforms prior to independence. The great depression also resulted in significant losses which resulted in the tea sector profiteering through collusion with other tea producing nations. This section will discuss all these aspects in detail.

3.1. Discovery and Experimentation: 1820s-1859

This section is divided into two sub-sections. The first describes the establishment of experimental tea plantations leading to tea sales to England. The second deals with establishment of Assam Company and its operation over the first two decades – particularly the production aspects of tea, issues with the two Boards managing the Assam Company, and the initial labour management issues in the company.

⁴⁵ Ukers, W.H. (1935). pp. 134. The note mentions that tea grew best between the 26th and 30th parallel of latitude and green teas between 30th and 35th latitude.

⁴⁶ Griffiths, P. (1967). pp.35-36. Also, see Chatterjee, A.K. (2018).

⁴⁷ For how the initial tea seeds were stolen by a British botanist from China, refer to Rose, S. (2010). Chapter 1; Also, see The Scottish Spy Who Stole China's Tea Empire. Accessible at <https://www.npr.org/sections/thesalt/2015/03/10/392116370/tea-tuesdays-the-scottish-spy-who-stole-chinas-tea-empire>. Last accessed: 3rd March 2022. Though a fascinating read, it may not be completely true that Indian tea required Chinese tea seeds for its growth. There is a view that the fascinating growth of Indian tea happened not because of china seeds but despite the China tea seeds. See White, J. B. (1887); Dey, A. (2018). pp. 46.

3.1.1 Tea Committee and first sale of Indian tea in London: 1820s-1839⁴⁸

The general understanding till the 1820s was that tea was a plant peculiar to China. That tea was grown in Assam by Singpho tribes came to the knowledge of British through Maniram Devan to Robert Bruce.⁴⁹ In 1823, the chief of Singpho tribe Beesa Gaum made a written agreement with Major Bruce for supply of tea seeds and plants. Robert Bruce and his brother C.A. Bruce planted the tea in their gardens in Sadiya and this was the beginning of tea cultivation by British in Assam. Even though C.A. Bruce sent a sample of tea leaves and seeds to the botanist in the Colonial government in 1825, no big progress on tea cultivation happened in Assam for almost a decade since. Lord William Bentinck, who was made the Governor-General of India in 1827, played a significant role in development of the tea sector in India.⁵⁰ In 1830s, Japan had broken all trade with Europe and there were suspicion that China could do the same which would have stopped the supply of tea to England. There were various countries explored for growing tea including Brazil, Java, and Prince of Wales' Island, but the results were quite unsatisfactory.⁵¹

It is in this background that Lord W. Bentinck appointed a tea committee on 24th January, 1834. The committee consisted of 12 members including senior civil servants, British scientists, and opium traders from Calcutta among others.⁵² The committee sent one of the members, the opium trader Mr. Gordon to China for getting tea plants and seeds from there. Gordon was also supposed to get cultivators from China who would guide tea plant growth and preparation of tea in India. Simultaneously, they also sent circulars to various parts of the country asking if there was any place suitable for tea cultivation. The circular also reached Captain Jenkins who was in charge of Assam and who was aware of C.A. Bruce's effort at growing tea in Sadiya region in Assam. C A Bruce, Jenkins and David Scott (the commissioner of Assam) had previously sent the sample of their tea leaves to Calcutta and had not received any enthusiastic response from the botanical authorities there.

⁴⁸ A significant part related to establishment of tea sector in the second to fourth decade of 19th century is found in the following literature: Mann, H. H. (2019), Ukers, W.H. (1935) pp. 135-147; Behal, R. P. (2014) pp. 27-34; Dey, A. (2018). pp. 41-48; Liu, A. B. (2020). pp. 85-97; Crole, D. (1897). pp. 21-29.

⁴⁹ The role of Maniram Dewan in introduction of tea is documented at various places including Ukers, W.H. (1935). pp. 145; Baildon, S. (1877). pp.3-4. Maniram Dewan later went against the British and planted the first Indian tea garden. Also, he was an important freedom fighter from Assam who was hanged by the British in 1858. His hanging was an event etched in the memory of Assamese people. Baildon (1877) refers to a discussion where people answered the query on their age by saying they were about so many years old when Maniram Dewan was hanged to death. See Baildon, S. (1877) pp.3-4. There are also movies and songs made on his life and ideas. Also, see Kashyap, S.G. (2007).

⁵⁰ Lord William Bentinck was instrumental in bringing a regulation that banned the practice of *Sati* when he brought the Bengal Sati Regulation on December 4, 1829.

⁵¹ Refer to Mann, H. H. (2019). pp.4.

⁵² The tea committee included the 10 British members – J.S. Pattle, J.W. Grant, R.D. Mangles, J.R. Calvin, J.R. Trevelyan, C.K. Robinson, Rob Wilkinson, R.D. Colquhoun, N. Wallich, G J Gordon, and two Indians – Radhakunt Deb and Ram Comul Sen. The committee was seen with some levels of scepticism. In an article written in 7th February 1834 in *Calcutta Courier*, it was noted that “*Everywhere it (tea) thrives as far as mere vegetation is concerned, but now except in China has any successful effort yet been made to render it a profitable product of industry.....differences of soil may produce changes as fatal as those which occur in tobacco and in the vine, and that the hyson and pekoe and twankay and souchong of India, will be very little like their high flavoured namesakes of the celestial empire....*”. See Mann, H. H. (2019) pp.4.

But, this team persisted and sent the samples to Calcutta on 8th November 1834. This time, the tea committee received the tea plants with enthusiasm and informed the Government about the same on 24th December 1834 as follows:

‘.....We are perfectly confident that the tea plant, which has been brought to light, will be found capable, under proper management, of being cultivated with complete success for commercial purposes, and that consequently the object of our labours may be before long realised.’

With success in the domestic front, the tea committee decided to abandon Gordon’s China endeavour. But, by the time of recall on February 3, 1835, Gordon had procured and sent several lots of tea seed from China. The first batch was despatched personally by Gordon while the second and third were sent in his absence. It is believed that these batches involved highly inferior seeds which were intentionally corrupted by the Chinese. Of the 1,00,000 plants procured by Gordon, 20,000 were sent to Assam, many more to Mussoorie, and 2,000 to Madras. The promise of Indian tea was treated with caution and there were still efforts to diversify into Chinese plant for tea production.⁵³ Mr. Gordon was sent back to China again to bring tea plants. Also, to assist Bruce, a Chinese interpreter Lum Qua was appointed. Few Chinese personnel were also brought to India for transferring knowledge of tea growing to India. This did not prove such a useful effort and a local paper mocked the effort:

“Every man with a tail [the signature queue hairstyle of Qing imperial subjects] was supposed to be qualified to cultivate, manipulate, and prepare tea.”

Another noted that the British had *“transplanted all the Chinese shoemakers and carpenters that they could induce to go from Coistillah and other bazaars in Calcutta to Assam; these men were nearly all from the sea-port towns of the Celestial Empire, and many had never seen a tea plant in their lifetime.”* The Chinese workers too deserted the place with complaints of low wages, terrible climate, and a harsh work environment after Lum Qua’s death in 1840 and it was pretty much an end of Chinese involvement in Assam tea.

The tea committee first chose a locality called Koondilmukh as the site for experimental tea garden. The area was a sandbank (*chur*) at the confluence of Koondil River. This site proved to be a failure as the *churs* are shifting sandbanks which had deep alluvial deposits. In a short while since the

⁵³ In the same year of 1835, a scientific deputation was appointed consisting of Wallich, William Griffith – a distinguished botanist, and McClelland, a geologist. This deputation reached Assam after travelling for 4 months and 10 days from Calcutta to explore the tea grown there. After viewing the tea grown in Sadiya, there were strong differences of opinion on whether to explore growing China tea or proceed with indigenous Assam tea observed there among the members of the Committee. While Wallich strongly believed there was no further need for tea importation from China, Griffith was of firm belief that only Chinese plant could yield quality tea.

beginning of the site, as David Crole put it “*the kindly Brahmaputra flowed over the site of this.....and buried in its waters a lamentable failure.*” Later, tea experimental station was established at Sadiya with noted efforts from CA Bruce. He also located many other places near his original plantation established in 1826 and hence a significant area under tea was covered in the experimental station. It is from these stations tea samples were produced in 1837, but the first shipment to London was made only in the next year. The eight chests containing 350 pounds that left Assam valley were sold in London auctions on January 10, 1839. In the subsequent year, ninety-five packages of tea were sent of which eighty-five were sold in the auctions on 17th March 1840. Within six years of establishment of the Tea Committee and with complete costs borne by the Government, the Indian tea sector had become a reality. It had to wait for more than a decade to become profitable and almost five decades to overtake China tea. But, the tea growth and sales also lead to establishment of the first tea company of India: The Assam Company in January 1840.

3.1.2 Assam Company: Land, Capital, Labour, and Profitability

The cultivation of tea and sale of produced tea in London auctions created palpable excitement across the country. It also created some discussion of how to organise the tea production in Assam. The Governor General of India at that time, Eden was open to the possibility of creation of entrepreneurial Assam farmers cultivating tea. He believed that this could be promoted by “free-emigration” of Chinese tea growers who will “inculcate” work culture among the local farmers. The initial efforts on this direction turned out to be a failure as a Chinese man who offered to establish a tea colony with his brother and son ended up swindling the advances from the government.⁵⁴

It is at this juncture that capitalists in both Calcutta and London approached the Government for transfer of the experimental gardens for private tea cultivation. The first move in this regard happened in Calcutta where the Bengal Tea Association, formed in February 1839, approached the Indian government. This association had among others, Dwaraknath Tagore, Rabindranath Tagore’s grandfather and among the foremost Indian industrialist, Motilal Seal, and Europeans who were staying in Calcutta. Almost immediately, a group of London merchants also submitted a memorandum with a similar request. It is in this background that a “junction of interests” was realised with the formation of Assam company in 1839 with two controlling bodies in London and Calcutta. Of the 10,000 shares worth £500,000, 20% of the shares were held by the Calcutta branch with 280 shares held by Indians. Thus, the first joint-stock company in a non-banking industry was formed in India. Mr. C.A. Bruce and Mr. Masters were made superintendents of the Northern division and Nazira division respectively. Despite initial hesitation to parcel out lands to a monopoly which would

⁵⁴ Liu, A. B. (2020). pp.95.

not be a *laissez-faire* thing to do, the Government transferred two-thirds of the experimental tracts with 160,000 plants which could produce 4000 pounds of tea to the Assam Company.⁵⁵

Of the three factors of production – land, labor, and capital; the problem of capital was to some extent resolved with the formation of Assam Company. The land was available in abundance while labour was scarce. The land available was also forest lands and it had to be cleared and cleaned for plantation and this too caused immense difficulties to the Company. This is reflected in many ways. The letter by Masters from Nazira in 1839 indicates some of the peculiar problems in this venture:

*“It was with great difficulty that I could procure elephants when I first came here: I could not purchase one at any rate.....A herd of elephants, however having gone off from Jorehaut in that direction (towards Gabro) they followed and thirteen of them secured.”*⁵⁶

The financial resources required for procuring land though was minimal. The waste land rules of 6 March 1838 provided waste lands in the order of 100 acres to 10000 acres on 45-year lease with no revenue for first 5 years for grass land, for the first 10 years for land under reeds and high grass, and for the first 20 years for land under forests. The next 3 years the land revenue was 9 annas per acre and Rs.1-2 thereafter. Even after the lease was over, the land revenue was to be set at a price lower than that in the rice lands and cultivation of poppy for opium was prohibited in these lands.⁵⁷ With these rules, the Assam Company focused on squatting as much land as possible to pre-empt the possibility of any future rival. This also resulted in high initial expenditure with little production of tea but this did create entry barriers to other companies over the next two decades.

Though land and capital acquisition became smoother, getting labour for cultivation proved to be toughest for the Assam Company. It is important to note that Assam had been depopulated given the civil war and Burmese invasion in the beginning of 19th Century.⁵⁸ Despite this, the labour scarcity for the company was not necessarily a shortage of supply of workforce, but it was a socially constructed shortage of labour, given the low wages that the Assam Company was willing to offer.⁵⁹ The initial labour for the Assam Company came from the Darrang and Nagaon district and was generally referred by British as “Kachari” coolies. The Assam Company and its officials had a view that the local labour were generally indolent lazy people which was further reinforced by opium habit. The company records and other documents though seem to suggest otherwise, particularly in case of Kachari labour.

The local people took advantage of early opportunities given their constraints by offering their labour for forest land clearing and hoeing. These works were typically conducted at off-season time of their rice farming hence the local labour were willing to work for the Company at that time. There were three main factors that hindered Kacharis to work for plantations. First, there were at times

⁵⁵*ibid.* pp.96-97.

⁵⁶ See Mann, H. H. (2019). pp.24.

⁵⁷ Guha, A. (1977).

⁵⁸ See Mann, H. H. (2019). pp.23.

⁵⁹ Refer to Liu, A. B. (2010) and Sircar, K. K. (1986).

problems related to provision of food at the plantations. Given the remote location, the Assam Company had to import food to provide for the labour. The insistence of 'economy' and difficulties with procurement lead to shortage of food supplies. This led to food riots led by Kachari labour and absconding in the many years including 1843, 1845, and 1846. Since the local labour were able to reach back home easily, they absconded more than the labour who migrated from other places. Second, there were issues of wage discrimination and delayed wage payment which did not go well with the local labour. Even as late as in 1853, the issue of wage discrimination was preponderant. The local labour was paid Rs. 2-8 annas per month while the imported labour was paid Rs.3-8 annas per month.⁶⁰ For similar reasons, 250 Kacharies had absconded the Satsoeah garden in 1846. The wages were also many times paid in arrears, either deliberately to keep the labour bound to them or due to delay in receiving money for wages by the company. It is important to note that the Kachari labour made efforts to secure appropriate payment of wages, sometimes through written contracts. This in no way corroborates with the narrative of lazy and indolent local labour unwilling to work in the gardens. In instances of delayed wage payment, the Kachari labour struck work for recovery of wages and returned to work only when provided with written promise of payment within next 14 days. But, the wage discrimination and delayed payment of wages continued and at times imposed fines for going on strike. All this discouraged local labour to continue work on plantations. Third, there were other opportunities for public works that were available for local labour. Incidentally, Assam Company was critical of higher wages provided for public works by the government. It is important to note that the "lazy" labour was willing to labour for public works when provided with high wages. All these factors caused the local labour to be less willing to work with plantations in Assam Company. This had left labour management at a critical juncture and future developments related to procuring imported labour for plantations had significant repercussions in the tea sector.

The production of tea by Assam Company was happening in this context of easy availability of land and acrimonious relationship within the board and between the management and labour. The high initial expenditure incurred by the company also made it stingy in paying higher wages. By the end of 1840, the company had spent £65,457 from London. Most of it was on capital expenditure including a steam boat. In that year, the company cultivated tea in 2,638 acres but the production was done with only an average of 457 plants per acre.⁶¹ The Company produced 10,712 pounds of tea in that year and was still very optimistic about its future growth. It anticipated a production of 40,000 pounds of tea in 1841 and 320,000 pounds of tea by 1845. Though it fell short of these goals by a significant margin, the company managed to reduce its expenditure over time. Compared to £12,984 they spent in 1841, the expenditure reduced to £7,284 in the year 1844 for an increase crop

⁶⁰ Communication by the then Superintendent George Williamson to the Calcutta Board, cited in Sircar, K. K. (1986).

⁶¹ Tea gardens typically have about 6,000 plants per acre under cultivation. In this case, this included mostly the plants found in the jungle which was cut down for leaf yielding.

production. Even though the cost of production was coming down, the company was not making any profits. In 1846 though it declared a dividend of 10s per share to keep the confidence of the shareholders. Things looked really downhill for the company in the following year and with some intervention including stopping crop production of a division and plucking leaves only for a few months of the year and stringent labour control policies, the company started making profits from 1852. Thus Assam Company started making regular profits about 12 years after its inception and things started looking up for the sector again. The Company was making profits regularly and was paying dividends every year (Figure 3.2).

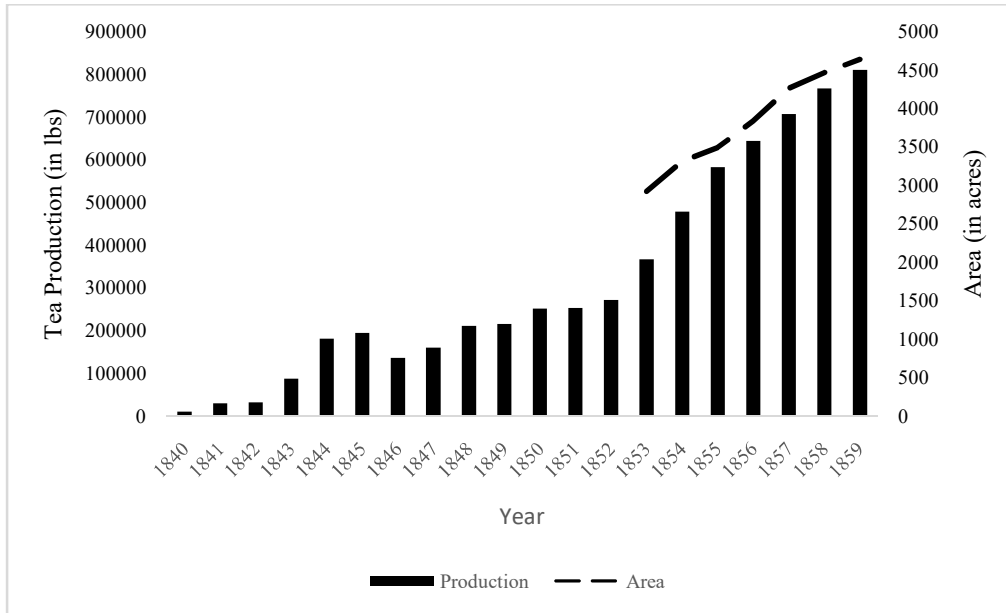


Figure 3.1. Tea Area and Production in the first two decades: 1840-59

Source: Antrobus, H. A. (1957).pp. 407-408.

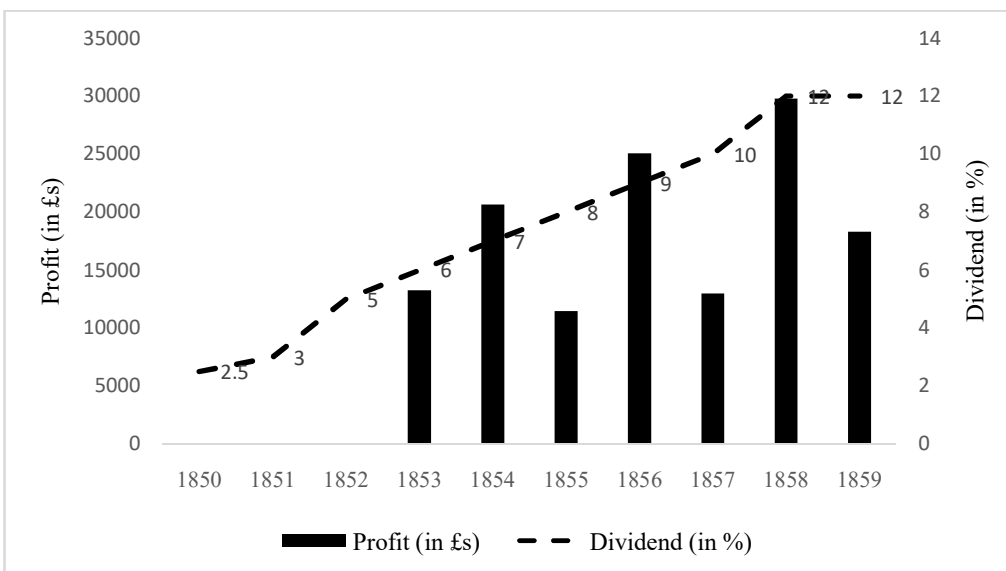


Figure 3.2. Assam Company Profits and Dividend Payments: 1850-59.

Source: Antrobus, H. A. (1957). Pp.407-408.

3.2. Tea Mania and Mayhem Afterwards: 1860s-1947

In the first two decades of operation of tea sector, even though there were concerns related to labour hiring, desertion, and strikes, the company's directors had instructed the superintendents to 'positively forbid any violence'. This was about to change in the following decades with speculative boom and bust and labour legislation changes gripping the tea industry henceforth. This is something we explore in this sub-section. This subsection first describes the context in which tea mania struck from about 1863 to 1867 and the implications it had on the labour process in the region.

3.2.1. Land Rules and Tea Mania

The profitability in tea sector in the 1850s attracted private enterprise to invest in the sector. The Government of India sold the one-third of experimental garden to a Chinese employee in 1849, indicating that further development of tea industry was completely left to the private enterprise.⁶² Some private gardens had also been successful in growing tea in late 1850s and new gardens sprouted in hopes of profitable tea production.⁶³ From only 9 gardens in 1853, no fewer than 51 gardens were established in 1859. Further to that, the land procurement rules that were laid down in 1838 were eased to appeal for investments from private sector and these rules brought in a 'mania' in the tea economy which had neither been seen before or hence.

The Assam rule of 1854 was the time at which flexing of land rules began. The term of lease, which was 45 years in 1838 was revised to 99 years and the progressive assessment of land revenue was also greatly reduced. Now, one-fourth of the land was to be rent-free forever and three-fourths to have a rent of 0 annas, 3 annas per acre, and 6 annas per acre for the first 10 years, the next 15 years, and the next 74 years respectively. These rules were called "Fee-simple" rules. About the same time, peasants were paying a rent of Rs.1-8-0 to Rs.3 per acre.⁶⁴ If this were not enough, the planters bargained for a much more attractive set of rules and Lord Canning modified these fee rules further in 1861 and 1862. Under these series of rules, all unassessed waste lands could be purchased at rates varying Rs.2-8-0 and Rs. 5-0-0 per acre. To further facilitate planters to purchase land, the initial lower limit of 500 acres for purchase of a land parcel was reduced to 200 acres and subsequently to 100 acres.⁶⁵

All these changes to land lease and purchase rules brought in rush for land and what the official tea historian Griffiths calls as a madness that was comparable to the southern sea bubble. In only Cachar region, applications for 557,078 acres of waste land were received by the Government. To get a perspective of the magnitude, the area under tea cultivation in India as of 2019 is 15,70,000 acres which is just about just 3 times the demand received in Cachar region only. From about 1863, just

⁶² See Rungta, R.S., 1970. pp.96.

⁶³ Among the initial successful private tea gardens is the one that was owned by Colonel Hannay who owned a private tea garden in Dibrugarh in as early as 1850.

⁶⁴ Guha, A. (1977). pp.12-14.

⁶⁵ See Kumar Bose, S., 1954, pp. 8-10.

after the various revisions in the land rules, tea companies sprang up overnight with or without land. Existing plantations and companies bought a lot of new land, and there was also sale of existing plantations at high rates. Along with this, there was widespread fraud and malpractices in selling parcels of land to various types of sellers. Everybody thought to have some tea bushes was to realise wealth and this gripping madness resulted in the craze for land purchase. The situation is well summarised by Edward Money in his 1870 essay:

“.... In those days existing plantations were brought at eight and ten times their value; nominal areas of five hundred acres were paid for which, on subsequent measurement, proved to be under one hundred; new gardens were commenced on impossible sites and by managers who not only did not know a Tea plant from a cabbage, but who were ignorant of the commonest rules of agriculture.Tea planters in those days were a strange medley of retired or cashiered Army and Navy officers, medical men, engineers, veterinary surgeons, steamer captains, chemists, shopkeepers of all kinds, stable-keepers, used up policemen, clerks and goodness knows who besides.”⁶⁶

Such thoughtless investment was bound to burst at some point and the “boom” in tea burst in about 1867. The market value of some of the share companies like Assam Company, Central Cachar, and Bishwanath, fell by 71%, 85%, and 69% respectively in the period from November 1863 to November 1867. 25 of the 56 tea companies registered in 1866 wound up their business by 1870. This chaos that was spread over the three years had various implications on the tea economy and the stakeholders in this economy. There were various young planters, some of whom died and some had to literally beg their way out of Assam.⁶⁷ But, more than these planters, the implications on labour from Assam and migrant labour into Assam was harsher and the drastic fallout on their well-being was to continue for decades to come.

3.2.2. Labour Control through Legislation

The easing of land rules drew focus on profitability but with no regard for labour requirements required for tea planting and cultivation. As with any speculative mania, irrational exuberance took over and companies procured land and established tea gardens without a well thought-out planning in various areas, particularly with regard to labour. For instance, in Cachar district, the clearing conditions implied that about 1,40,000 acres of land ought to be brought under tea cultivation in a period of 10 years. This would have required a labour strength of at least 1,40,000 labourers which was just about the population in the district.⁶⁸ In such a scenario, it became inevitable to import a large number of labourers from other regions in India. Adding to the imperative of importing labour was the

⁶⁶ For details of the tea mania, refer to Money, Edward. (1883).

⁶⁷ See Behal, R.P., 2014.

⁶⁸ See Griffiths, P. (1967). pp.100.

higher wages demanded by the local labour and their increased opportunity cost of working in plantations given the availability of public works in the district.

Along with scarce and short supply of labour was the problem related to scarcity of food for imported labour. The speculative fever made planters lose sight of arranging food supply adequate for the imported labour and this short supply was among the primary reasons for high mortality among labourers. The tea mania also resulted in scramble for labour and resulted in hiring practices involving fraudulent promises and transportation through unsanitary and harsh modes of transport. The excess mortality and illness during this transit in the mania period made the state to intervene in labour markets, but with dire consequences for the imported labour. In 1861, the labour mortality in Assam steamers was in the range of 20 to 50 per cent. The comparable figure for passage of labourers to Mauritius, West Indies and Reunion was in the range of 1.5 to 5 per cent. Such “exceptional” circumstances needed the state to intervene as against the professed “liberal” approach espoused by the colonial state. This paved for a creation of an indentured labour system termed by Tinker as ‘new system of slavery’.⁶⁹

The state intervened with an objective of regulating labour emigration by 1863 and the legislations over the next decade had dire consequences on the labour processes in the tea plantations. The Bengal Native Labour Act III of 1863 legislation brought in a license system of recruitment where migrants had to be presented before the local magistrate in their home district before entering into a labour contract of a five-year period. The act also mandated the licensing of steamers and boats that transported the labourers. Though these appear to be benign laws towards the labourer, the consequence was actually malignant to them. A legal contract implied that the labourer breaking the contract was illegal and punishable under the penal code. Any labourer deserting the plantation within the contract period was liable to imprisonment. This seriously increased their costs of leaving the plantations and many a times, they had been deceived by the private recruiters (*arkatis*) on the kind of job they were going to do in the plantations.

Apart from this 1863 law, the Act XIII of 1859 law related to Workmen’s Breach of Contract Act (WBOC), which was applicable to skilled workers in Indian towns, was transplanted to Assam in 1864. This again was touted as “exceptional” and only “tentative”. There were further legislations to protect workers, and reduce desertion and unsettlement of labour implemented in 1865. The Assam contract act VI of 1865 stipulated monthly wages of Rs.5 for men and Rs.4 for women; a contract for a three-year period, a working day spanning for 9 hours and a 6-day working week. Along with these protective measures, the law empowered planters to arrest deserters and runaway “coolies” without a warrant. Though a “Protector” for coolies was appointed, the planters faced very little difficulties for not following the terms of contract. The minimum daily wage (*hazira*) was re-interpreted by planters as wage for a daily task (*nirik*). This daily task was assigned based on what was found “reasonable” to

⁶⁹ Tinker, H. (1974).

the planter. Such actions implied protection part of the law was not implemented properly while there was enough power to the planter provided for preventing desertion.⁷⁰

With regard to a “working day”, the plantations had something called a “garden time” as India did not have a standard time till 1906. This time was adjusted such that the labourers spent maximum time in the sun during the day for completion of tasks in the garden.⁷¹ In such hostile conditions between 1863 and 1866, death and desertion resulted in a loss of almost half of the 85,000 migrant coolies who landed in Assam.⁷² There were amendments to the Act VI of 1865 in 1870 and 1873, which eased some of the clauses for the labour and also encouraged recruitment through *sirdars*, some of the ex-plantation labour from their villages. The attractiveness of *arkati* recruitment to the planters resulted in little recruitment through *sirdars* for years to come.

The legislations were able to permit the plantations to maintain profitability till the 1880s when the prices in tea markets started falling. This fall in prices brought in a demand for newer legislation that would provide more freedom to reduce on the labour costs for the plantations. The rationalisation of tea industry by managing agencies that happened post the tea-mania of 1867 also facilitated the lobbying of these laws easier. Tea industry became concentrated when managing agents took control of smaller gardens and acquired oligopolistic stature in due course of time. By the end of the century, about 61% of all tea gardens were controlled by seven top managing agencies.⁷³ This empowered the plantation sector with high bargaining power and they were ultimately able to get in the Labour Districts Emigration Act I passed in 1882. This law was supposed to “free” the labour market. It was also supposed to encourage *sirdar* based recruitment. Instead of possibility of increasing the minimum wages of men and women to Rs.7 and Rs.6 respectively, the law stipulated the same minimum wages and a provision to increase the wages by Rs.1 over the last two years of a five-year contract. Importantly, this minimum wage was no more a daily wage but a wage for completion of daily tasks, thus giving legislative authority of planters’ informal practices. In a bid to discipline labour, this act also allowed the plantation owners a right to private arrest without having to go to the police.

The declining prices starting from 1880s implied the profitability could be maintained either by enlarging production or by controlling the costs. The “special” act of 1882 paved the way for both ways of increasing profits in a tremendous manner. Over the period from 1885 to 1900, the acreage under tea in Assam valley alone increased from 109,017 acres to 204,985 acres almost doubling in a period of 15 years. The labour predominantly belonging to tribal communities of Chota Nagpur and Central Provinces were brought in large numbers to the Assam valley and Surma Valley. From about

⁷⁰ For an excellent account of detailed labour processes in the Assam valley tea gardens, refer to Behal, R.P., 2014. Chapter 2.

⁷¹ For the various labour processes in Indian and Chinese tea gardens during this period, refer to Liu, A. B. (2020).

⁷² For a detailed account of various processes related to disciplining of labour in Assam, refer to Varma, N., 2017.

⁷³ Refer to Behal, R.P. and Mohapatra, P.P., 1992.

1,57,073 labourers in 1885, the labour force employed in Assam valley alone more than doubled to 3,88,607 in a matter of 15 years. Overall, the labour force in tea gardens increased from 184,104 in 1880 to 6,64,897 in 1900. To get a perspective of the labour force, the number of labourers engaged in tea plantations in India as of 2015 is about 7,11,000⁷⁴, not different than the labour force in tea gardens 115 years ago. Another characteristic of tea plantation labour is the skewed distribution with regard to women. The ratio of women to men among plantation labour in 2015 was 1.24:1. The ratio of women and children to men also showed similar trends in Assam valley in the period from 1934-47.⁷⁵

These legislations and enhanced recruitment were able to keep wages persistently low for another four decades (figure 3.3). Consequently, the tea produced and exported to UK grew exponentially and Indian tea overtook Chinese imports of tea to the Empire in this period (figure 3.4, image 4). There are credible indications that the improved performance of Indian tea economy came at the expense of rights, health, lives, and wages of vast amount of immigrant labour into Assam. But, the indenture system of labour had to face its challenges and the legislations were finally removed in the second decade of the 20th century. Five major reasons could be cited for the same. First, the high death rate among labourers resulted in plantation labour force not being reproduced and a constant need to hire labour. The mortality rate among labourers recruited in special act was 5.4% compared to 2.4% in Assam. The living conditions for labourers were characterised by frequent flogging, refusal of sick leaves, and maternity leave of just five days.⁷⁶ The death rates generally exceeded the birth rates almost throughout this period. Second, such atrocities spoiled Assam's reputation as a labour destination and discouraged migration to Assam.⁷⁷ Thirdly, the non-reproduction of labour force and bad reputation together meant that the hiring costs went up for the plantation economy. Even though the wages were low, high hiring costs were hindering on the profitability of the tea economy. The paradox that arose of this situation for planters was referred as the "high cost of cheap labour". Apart from cost of hiring, the labour relations were typified by desertions, prosecutions, rioting, 'unlawful assembly', mass outbreaks and assaults on managers.

Fourth, the violations and illegality in the plantation were vocally criticized by few members of British bureaucracy and the Christian missionary. In particular, the Chief Commissioner Henry Cotton's report in 1900 raised alarm regarding the labour processes in the plantations and the consequent mortality rates. All of this together resulted in withdrawal of penal clauses and power of private arrest in 1901 and 1908 respectively. Fifth, there were various forms of labour protest and resistance by the labourers. This resistance took forms of complaints and submissions to police, absconding, and desertions in the initial period. It was also supplemented by 'shirking' of work or

⁷⁴ Indian Labour Year Book, 2017.

⁷⁵ See Behal, R.P., 2014. pp.370.

⁷⁶ See Sarkar, S., 2015. pp. 228-229.

⁷⁷ For an excellent analysis of reputational consequences of the 1882 Special Act, refer to Gupta, B. and Swamy, A.V., 2017.

kinds of ‘cheating’ where women pluckers dodged their way to higher weights in the baskets where tea leaves were plucked.⁷⁸ The cultural forms of resistance included *Jhumar* folk songs and dances. The following is a *Jhumar* song still popular in tea gardens:

Sardar bole kaam
Babu bole dhari an
Saheb bole libo pither cham
Re jaduram,
Phanki diye bandu pathali Assam.

(Translation: The sardar asks for more work. The Babu abuses and the Sahib threaten to peel the skin of the back. Alas Jaduram, you sent me to Assam by deceiving me.)

The repeal of the penal contract laws also changed form of resistance with widespread labour protests in 1920-22. After a series of strikes, and riots in various districts of Assam, the indentured system finally ended with the withdrawal of the Act XII of 1859 in the year 1926.

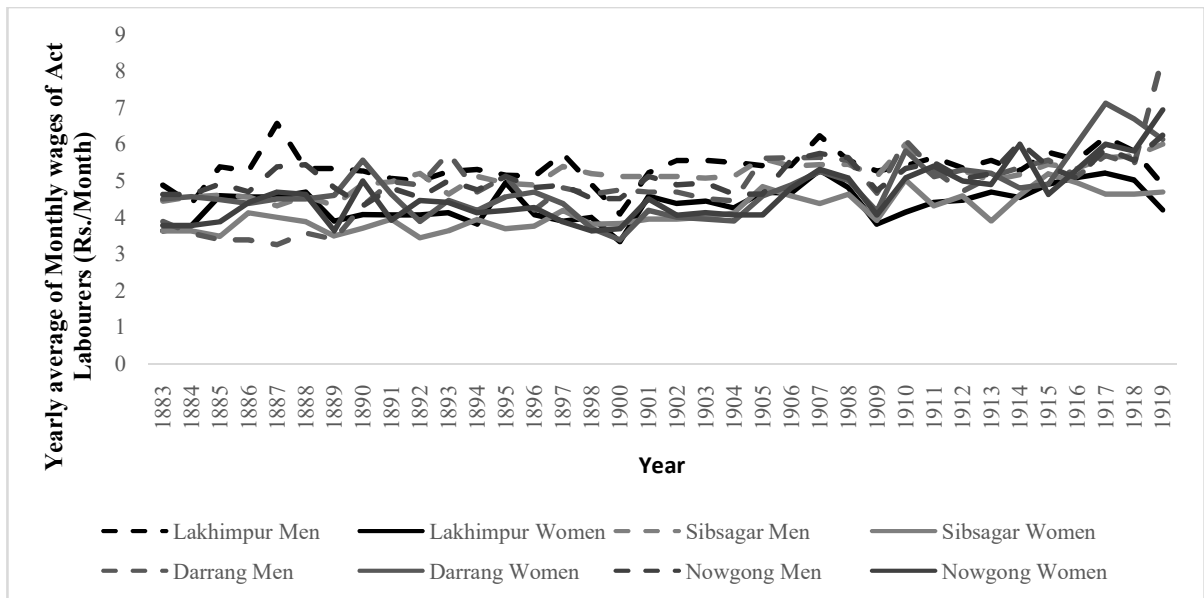


Figure 3.3. Wages in four districts of Assam Valley

Note: The wages include allowances paid, value of diet in lieu of such allowances and rations, and also *ticca* earning and ‘bonus’

Source: Behal, R.P., 2014. pp.342.

⁷⁸ See Behal, R.P., 2014. pp.274.



Image 4 Comparison of Chinese and Indian Tea Consumption in UK, Indian Tea Association Pamphlet, 1910

Source: Liu, A. B. (2020). pp.11.

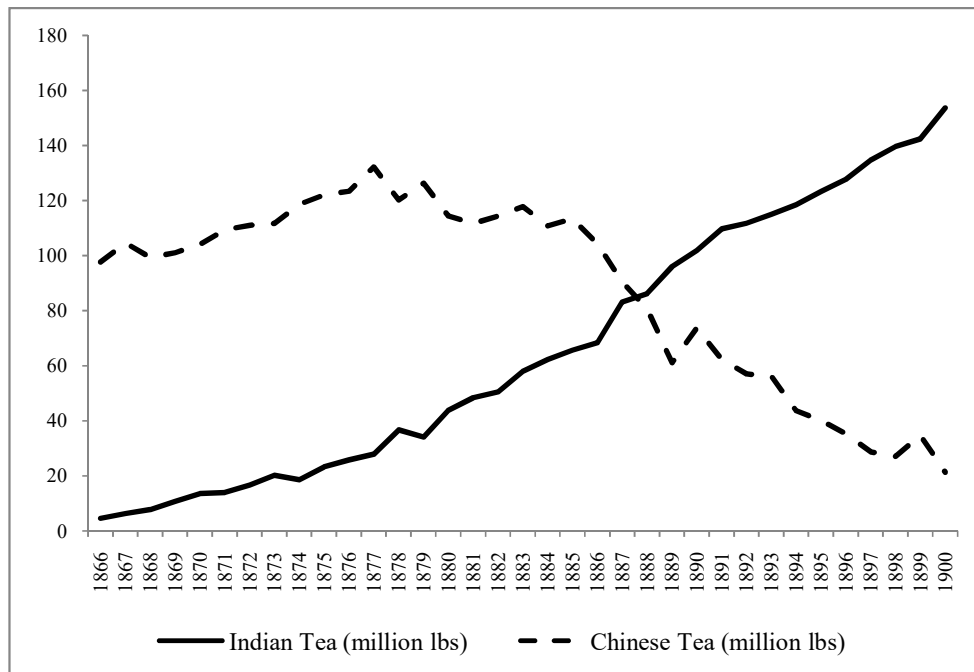


Figure 3.4. UK imports of Indian and Chinese Tea: 1866-1900

Source: Griffiths, P. (1967). pp.74.

3.2.3. *South Indian Tea: Beginnings to 1930s*

Even though tea cultivation began in Assam, it spread to other parts of the country. In south India, tea is primarily grown in Kerala and Tamil Nadu. There are few differences between origins of tea cultivation in south India compared to the North. In south India, tea is exclusively grown in hills and not in plains. Also, tea was grown as a subsidiary crop in south India and its area grew only following decline in coffee plantations due to a borers and leaf disease. Tea's journey in south India began from Nilgiris when few of the Chinese seeds "smuggled" by Robert Fortune in 1834 were sent for experimentation. But, only in 1865 was a small spurt in tea growth noted in the region.⁷⁹ Only in 1876-77, a significant area of 3142 acres with 1514 acres of mature tea cultivation was observed. The production in that year was 235,769 pounds which steadily grew upwards since.

In Kerala's Travancore, coffee plantations began in 1862 and following losses due to diseases, tea was planted in experimental measure in government gardens in Peermede from 1864. After steady growth since 1895, districts around Peermede had 8,000 acres of tea and 500 acres of coffee by 1906. In north Travancore, the major growth in tea happened when Kannan Devan Hills Produce Company got a significant amount of land as fallout of some boundary dispute in the region and about 3,165 acres of tea was cultivated in the region in 1896. In Wayanad region too, tea replaced coffee following the coffee leaf disease starting in about 1896.

As in north India, land was given at throwaway prices or free to planters in south India. Much of land in Wayanad, Nilgiris, and Coorg were given free to the planters by the colonial government. These lands were largely considered as wasteland that is neither used for paddy cultivation nor a garden-land cultivating coconut, arecanut, jackfruit, etc. The planters had to spend money on demarcation and survey only with assessments fee for up to five years in Nilgiris, four in Coorg, three in Wayanad after which they had to pay a mere 2 rupees per acre.⁸⁰ As noted by some of European planters, there was hardly any place like Travancore in whole of India or Sri Lanka when it came to facilitation of land acquisition. When assessments for peasants were highest in the country in Madras Presidency in 1863, the coffee "planter raj" had been waived of any assessments until the land bore any crop. This was extended to tea plantations in 1874.⁸¹ An enormous amount of 1.37 lakh acres of land, contributing to 1/7th of net cultivated area or 1/10th of the forest area in Travancore princely state located in Devikulam taluk of Idukki district, also called as Kannan Devan Hills was sold to North Travancore Land Planting and Agricultural Society Ltd through concessions in 1877 and 1879. Apart from these transfers, there were also widespread encroachments of the forest area by the planters. Since land transfers had happened gradually over time for different plantation crops, south India did not see any speculative *mania* as in the north India. However, here too vast tracts of forestlands

⁷⁹ There is an improbable legend which states that Chinese prisoners assisted in establishment of Coonoor Tea Estate and thaishola tea estate formed in 1854 and 1859 respectively.

⁸⁰ An excellent analysis of land procurement and capital accumulation in early plantation era of south India is provided in Raman, R., 2010. Chapter 2.

⁸¹ See Raman, R., 2010. pp.26.

belonging to ecologically sensitive areas including the Western Ghats were transferred to the planters for capital accumulation. These land transfers also alienated communal property of various tribes - the *Kanikkars* and *Muthuvas* of Travancore; *Badagas*, *Irular*, and *Thodars* of the Nilgiris and *Naicker*, *Paniyar*, and *Kurumbas* of Wayanad.

The labour recruitment for the gardens in south India also followed a pattern similar to North India with *kanganies* or *maistries* acting as intermediaries for migrant labour from various parts of Tamil Nadu.⁸² Like in Assam, various legislations were used to subjugate labour to the estates. Apart from the Workmen's Breach of contract Act VIII of 1859 which was applicable in Madras Presidency, the Madras Act V of 1866 had provisions of enforcing labor contracts. In this context, there was also possibility of cases by *kanganies* on workers and planters on *kanganies* along with cases by planters on workers. There was also the Coffee stealing prevention act (1878) which made possession of freshly picked coffee by workers and *maistries* a punishable offence. Along with this, the Madras Planters' Labour Act was passed in 1903 similar to the 1901 Assam Emigration Act. These laws, even though not harsh as the Special Act of 1882 in Assam, did go a long way in indenturing labour to estates. The droughts in the famines in the districts of Salem, Madurai, Ramanad, Tirunelveli, Tiruchirapalli, Tanjavur, and Coimbatore made the various labourers belonging to Dalit and backward communities in plains move to the high ranges in search of labour. These areas became labour catchment areas for *kanganies/ maistries*, where labour was hired largely on a family basis.⁸³ Apart from the repeal of Breach of Contract Labour in 1926, the Madras Planters' Labour Act was retracted only in 1929. During this course of time, the tea production in south India, which was only 3.5% of all India tea in 1900, had grown to contribute to 13.4% by the end of 1930.⁸⁴ In early 1930s, a group of small farmers belonging to *Badaga* community ventured into growing tea. The tea was processed by a factory called 'Tiny' was set up around 1935 in Kundah region by B K Nandi Gowder to process lead from the fields.⁸⁵ The small tea growers and factories were to play a much larger role in decades to come and their importance had to wait for a technological innovation in the 1960s.

3.2.4 Cartelisation for Profiteering: 1930s to Independence

After a period of steady growth in production and some positive changes due to labour resistance, tea economy hit another crisis due to the great depression in the 1930s. The striking fall in export demand caused adverse effects to the tea companies in 1930 and 1931. The tea companies firstly tried to resolve this issue by cartelization involving international tea producers. The first collusive agreement

⁸² In the *kangany* system, debt bondage played a larger role in labour servitude. For details, refer to Ranajit Das Gupta (1992). pp. 173-198. For historical and contemporary exposition related to labour in tea sector in south India refer to Raj, J., 2013, Raj, J. 2022a, Raj, J. 2022b.

⁸³ For details of history of labour in south India, refer to Raman, K.R., 2002.

⁸⁴ See Griffiths, P. (1967). pp.163

⁸⁵ See Muthiah, S. (1993). pp.139-140.

was signed between Ceylon, Dutch East Indies, and India in 1930. Though this did not materialise well with non-cooperation by the tea producing Dutch East Indies, another tea agreement in 1933 was successful in reducing production and subsequently increasing prices in the labour market. In the initial agreement in 1930, the idea was for the different companies to produce 3% to 15% lesser than their 1929 crop based on the average prices they had received in that year. In 1933, the arrangement was to uniformly reduce the quantity by 15%. These efforts were largely successful since 1933 and some analysis indicates that the firms on average reduced 12% to 15% of their production across the countries. In terms of regional variations, the north Indian plantations reduced the production by 15% while south Indian plantations did not do any reduction in these years.⁸⁶ This also had a positive impact on the prices in domestic markets as indicated by prices in Calcutta auctions (Figure 3.5)

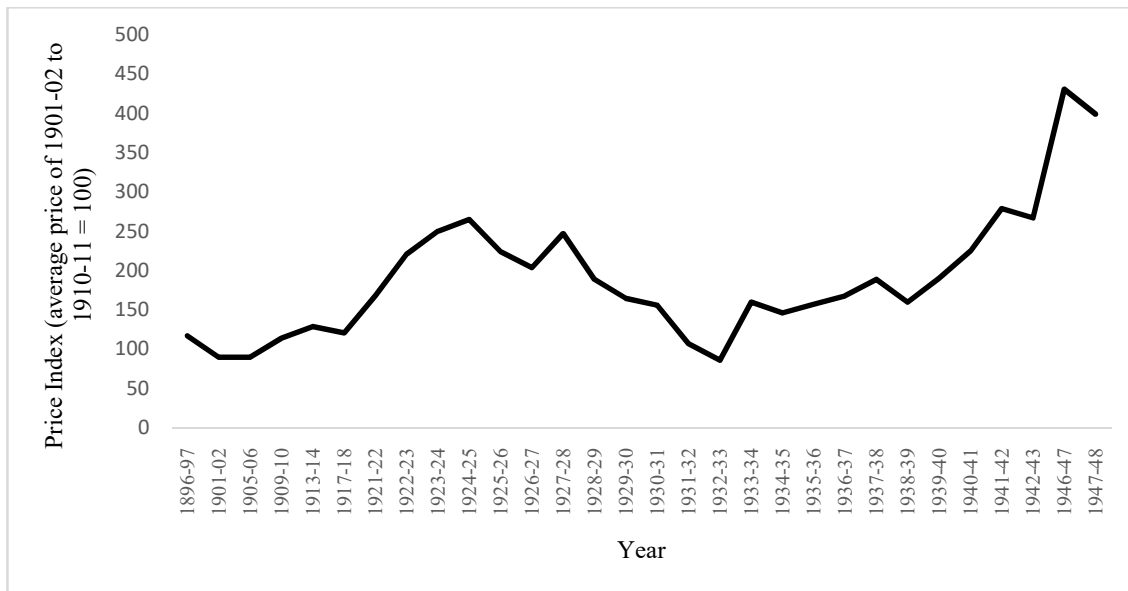


Figure 3.5. Average prices of Indian Tea Sold at Calcutta Auctions 1896-1947
Source: Behal, R.P., 2014. pp.360.

The Great depression also brought in another round of wage suppression. The production cuts too had implications on wage income of the labourers. As a consequence, the period from 1931 to 1938 saw a number of strikes in the Assam gardens. In 1939 alone, there were at least thirty-seven strikes in Assam districts producing tea. This year also saw formation of labour unions in many non-plantation industries that triggered formation of labour unions in tea gardens as well. The Second World War years saw restriction in number of strikes but once again the strikes got intensified starting in 1943. Various strong trade unions were formed in these years and there was also better articulation of the demands over the next few years by the consolidated labour unions. The Labour inquiry commission under the chair of D.V. Rege in 1944 noted that the labour conditions on the plantations needed to be brought under regulation. The report was the foundation under which the Plantations Labour Act was

⁸⁶ For an excellent analysis of the cartel agreement and its implementation, refer to Gupta, B., 2001

passed after Indian independence as Act LXIX of 1951 on 2nd November 1951. In south India too, the emergence of trade unions and their demands resulted in abolition of *kangany* system in October 1951.

4. Post-Colonial Tea Production in India

The post-colonial tea production in India saw major changes to tea production and consumption in the country. From a predominantly export-oriented crop sold to the British, tea slowly transformed into a *desi* drink beginning in the 1960s. This transformation too had its roots in Great Depression when surplus tea was available in the country because of low export demand. Along with consumption, there has also been a significant change in production with the emergence of small tea growers (STGs) who produce more tea than plantations today. This section deals with these developments related to consumption and production.

4.1. Domestic Consumption Surge

Tea remained a colonial drink for the most part of the colonial era. Apart from a small experiment in 1901 to 1904 where distribution of *paise packets*⁸⁷ was used as a strategy to popularise tea in India, there were not big efforts towards developing a tea market till the 1930s. Up to that period, the typical target for tea was the British elite living in India. As late as 1930s, only a small fraction of Indian population had tasted tea. Tea industry started exploring Indian market for tea sale on account of the unsold surplus in tea following the great depression in 1935. The Indian Tea Market Expansion Board (ITMEB) was established in that year who hired ‘tea propagandists’ to popularise and demonstrate tea drinking across various parts of rural and urban India.⁸⁸

⁸⁷*Paise packets* also referred as *pice packets* were leaf fragments packed in small packets and sold at 1 paise. The low grade tea that was not sold in common auctions was packed in these packets. Such a strategy was used in selling of tobacco products previously and in selling of shampoos, coconut oil, detergents, tomato sauce, and similar food items even till today. This selling of FMCG products in the 1980s similar to this came to be known as ‘sachet revolution’. A recent article analysis the ‘sachet revolution’ is available at <https://themorningcontext.com/chaos/the-problem-with-the-sachet-revolution>.

⁸⁸For peculiar problems to the Indian context for marketing tea in *purdah* households, *purdah-nahsins* witnessing demonstration behind a screen, and Brahmins in Trichy, Tamil Nadu, see Griffiths, P. (1967). pp. 617-8.

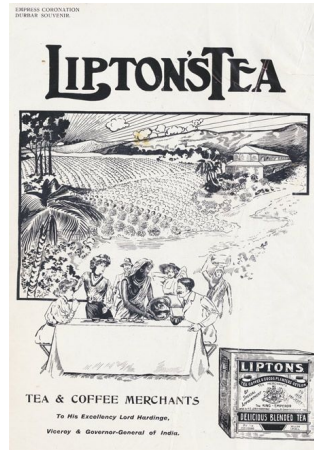


Image 5. Advertisement for Thomas Lipton Company that appeared in "Coronation Durbar Souvenir" of the express in 1911.

Source: Philip Lutgendorf. Chai Why? The Triumph of Tea in India as Documented in the Priya Paul Collection. Accessible at <http://www.tasveergharindia.net/essay/chai-why-advertisements-consumption.html>. Last accessed on: 14th April, 2022.

Tea from 1940s was positioned in a different way. It was no more a drink for the elite people, but a drink that provided energy and alertness to Indians, a progressive empowering drink for homemakers, and a drink that fought fatigue. Companies were encouraged to provide ‘tea breaks’ for workers. Tea also was slowly to become a *swadeshi* drink and was to become popular as *chai* in Northern part of India. The initial resistance to tea drinking by nationalists was over come through promoting the product as a national drink for Indians.



Image 6. Indian Tea Market Expansion Board poster prepared in 1947.

Source: Bhadra, G. (2005). pp. 19.

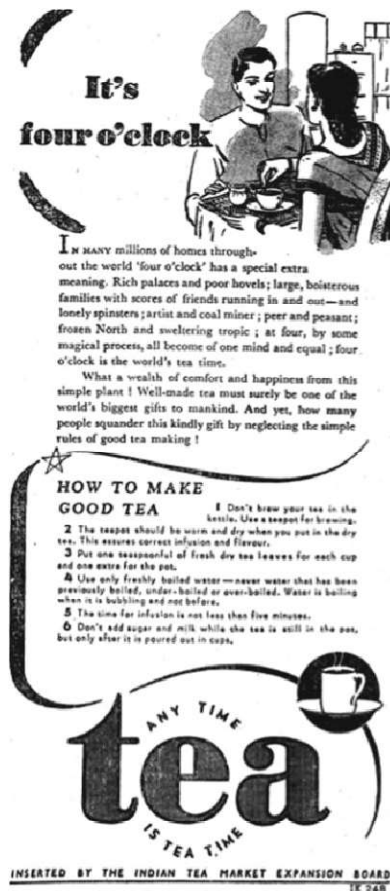


Image 7 Advertisement in Times of India Newspaper that appeared on 5 June, 1946.

Source: Nongbri, N. (2021).

Despite all these efforts, even though India was the largest tea producer in 1947, about 70% of the tea was made for the foreign markets and the per capita consumption of tea in India was about 0.4 pounds per annum. Hundreds of millions of Indians had never heard of or tasted this beverage then. But, the tea sector provided valuable foreign exchange. This helped them tea plantations receive various exceptions including being exempted from land-reforms. Even for a state like Kerala that is supposed to have implemented radical land reforms, tea plantations were exempted from the land ceiling regulations.⁸⁹

The impetus for domestic consumption had to wait for a technological development in the 1960s. This emergence happened with a development of a device that would 'crush, tear, and curl' tea leaves into small particles called CTC tea. This tea was preferred by certain overseas market such as Ireland and America. This device to produce CTC tea was developed by McKercher, a Scotsman in 1931. Indian engineers redesigned the CTC machine in 1950s into 'sliding-block CTC machine' that allowed for easier cleaning and sharpening (Image 8). This technique of making tea revolutionised tea production starting from 1960s as there was significant reduction in cost of production compared to

⁸⁹For a details on land reforms in Kerala with regard to plantations, refer to Krishnakumar, R. (2004).

the ‘orthodox’ mode of tea production prior to that. By 1999, this tea accounted for more than 90 per cent of tea production. The domestic consumption of tea almost grew significantly since the 1960s with the average y-o-y growth that was 5.3%, 5.1%, 3.8%, 2.7%, 2.5%, and 3.1% in the following decades (figure 4.1).

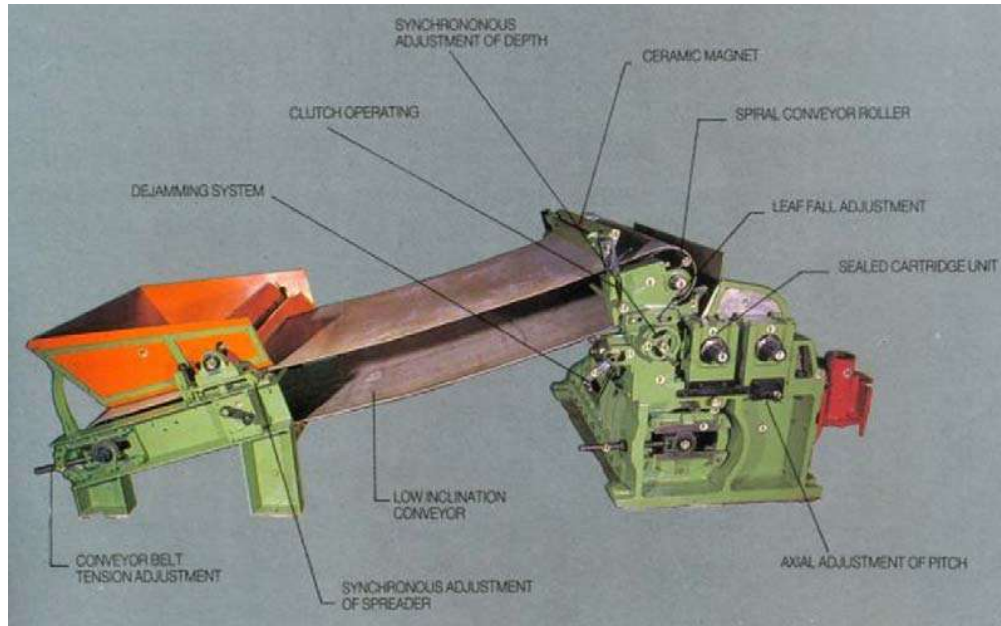


Image 8 A sliding block CTC machine.
Source: Lutgendorf, P. (2012).pp.22, Fig. 8.

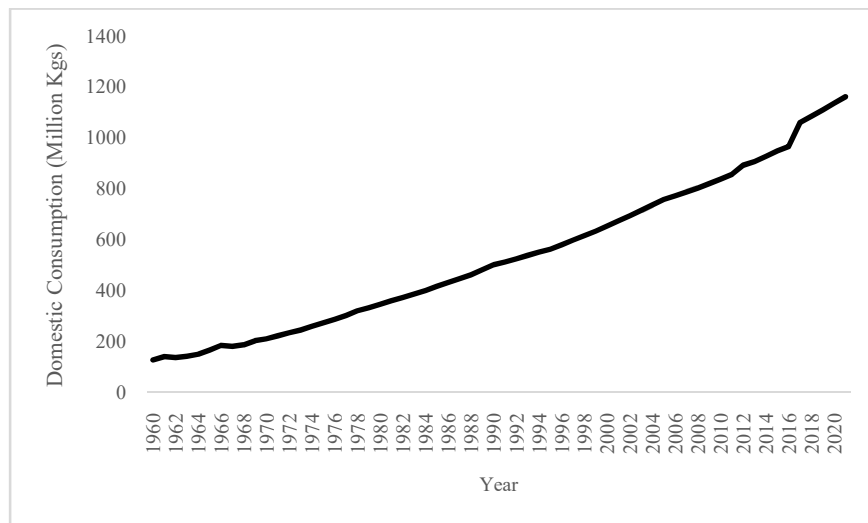


Figure 4.1 Domestic Consumption of Tea
Source: Estimates obtained from Tea Board of India based on ORG India Limited study upto 2016.
Data from 2017 onwards is based on Tea Consumption Study by M/s Deloitte.

This increase in consumption combined with emergence of other competitive nations including Kenya and Srilanka has reduced the share of exports for Indian tea over time. Kenya with

just 1/4th of area under tea and Srilanka with ½ the area under tea were exporting more tea than India since the 1990s. From the time in 1960 where 60% of Indian tea sales was primarily for the purpose of export, domestic consumption contributed 89.4% of total tea sales in 2021 (Figure 4.2).

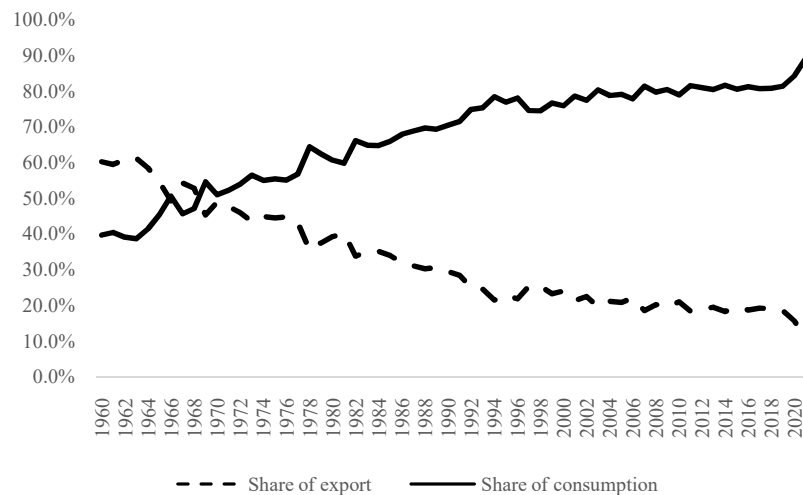


Figure 4.2 Share of Domestic Consumption and Export of Indian Tea

Source: Domestic Consumption estimates obtained from Tea Board of India. Export data obtained from Indiatat.

4.2. Emergence of STGs

The production of tea by small tea growers began as early as in 1920 when some cultivators preponderantly belonging to Badaga community started cultivating tea in their farms and selling the green tea leaves to the plantation estates. When export quotas were introduced in 1933, each estate and small growers had been given a restricted quantity to produce. The small growers obviously did not produce to that quantity and hence sold the leaves to the plantations. It was during this phase that some individuals established factories in the Kundah region to process the leaves.⁹⁰ The emergence of CTC machine also paved way for more number of factories in the 1960s. Incidentally, it was the time at which the export quotas were also lifted and there was less felt need for leaves from farmers to estates at that juncture. An important innovation with the help of the state government was related to development of The Tamil Nadu Small Tea Growers Industrial Cooperative Tea Factories Federation Limited (INDCOSERVE) in Kundah region of the Nilgiris as early as in 1962. This contributed immensely to the growth and interests of the small growers in the region.⁹¹

The growth of STGs in the 1980s and 1990s is also closely linked to India's trade with exporting countries. Over time, as British capital was diluted in Indian tea holdings. The managing

⁹⁰ See Tea Board of India (1980). Also, refer to Reddy, V.N. and Bhowmik, S.K. (1989).

⁹¹ See Muthiah, S. (1993). pp.139-140. See John, P. The Role of Bought Leaf Factories! Available at <https://lessonslnlife.in/the-important-role-of-bought-leaf-factories/>. Last accessed: 2nd June 2022.

agency system was abolished in 1970 and Foreign Exchange Regulation Act was implemented in 1973. In Kerala, compared to 77.23% of area under tea cultivation that was controlled by 5 foreign companies in 1925, there was only one foreign company in 1980 which had 17.4% of the area under tea cultivation. In Tamil Nadu, the same figure over these years was 6 companies with 59% of the area in 1925 to 4 companies with 20.3% in 1980.⁹² The erstwhile British companies transferred their capital to East African countries and Sri Lanka.

The loss of British demand for Indian tea was compensated by USSR that proved to be an almost captive market for Indian tea. India entered into a Rupee-Rouble trade agreement with Russia in 1978 which facilitated south Indian tea trade to USSR. The CTC tea in South India was favoured by the Russians. By 1983, USSR was the largest importer of tea from India with 62 million kgs whereas UK imported only 45 million kgs in that year. In 1985, this went up to 97 million kgs. This is phenomenal increase of 50% over a very large base in a matter of two years. These changes incentivised more and more smallholder tea expansion and expansion of bought leaf factories in the south India.⁹³ This was the primary reason for expansion of small tea growers in the 1980s and 1990s across India. The Central and state government also emphasised the growth of small tea growers starting from 1981 and the eighth five year plan starting from 1991 also recognized the importance of small tea growers for meeting the production targets.⁹⁴ The optimism of increase in exports and attractiveness of cash crops made various smallholders invest in tea. The post-colonial area expansion sees a clear shift in this period with the contribution and sustained growth of small tea grower tea area (Figure 4.3). As of 2018, tea area under cultivation was about one-third of total area cultivated under tea. What has been more appreciable is the productiveness of this group of tea growers that has grown at a rate faster than area share (Figure 4.4). As of 2021, small tea growers contributed to 50.73% of total tea production in India, implying that small tea growers produced more tea than the plantations. As of 2017-18, STGs produce 42% of tea in Assam and 54% of the tea in West Bengal.⁹⁵ The tea growing areas have expanded to states beyond the traditional 4 states and now are grown in 66 districts in 11 states of the country (Figure 4.5).

⁹² See Tharian George, K., 1984. pp.34-50.

⁹³ Ratnagarhi, G.T. (1990).

⁹⁴ Refer to Karmakar, K.G. and Banerjee, G.D. (2005).

⁹⁵ See Hannan, A., 2019.

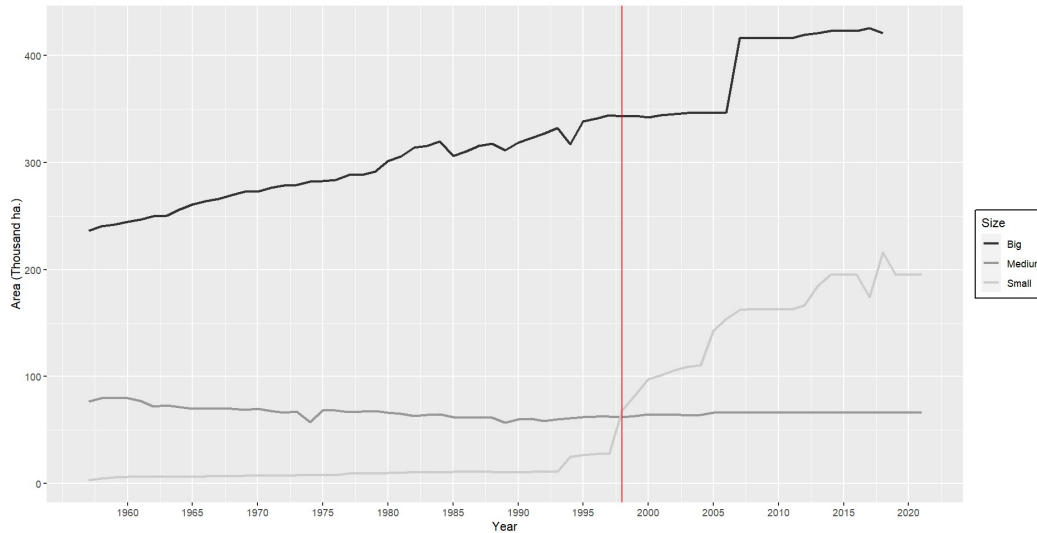


Figure 4.3. Area under tea cultivation for Small, Medium and Big Farmers

Source: Various issues of Tea Statistics by Tea Board of India and indiastat.com. Missing data has been obtained on request from the Tea Board or imputed using simple moving averages.

Note: The definition of small farmers suggested by the Tea Board has changed over the years⁹⁶. We define medium farmers as those with land more than small farmers but less than 200 hectares. Large farmers are defined as those with land more than 200 hectares.

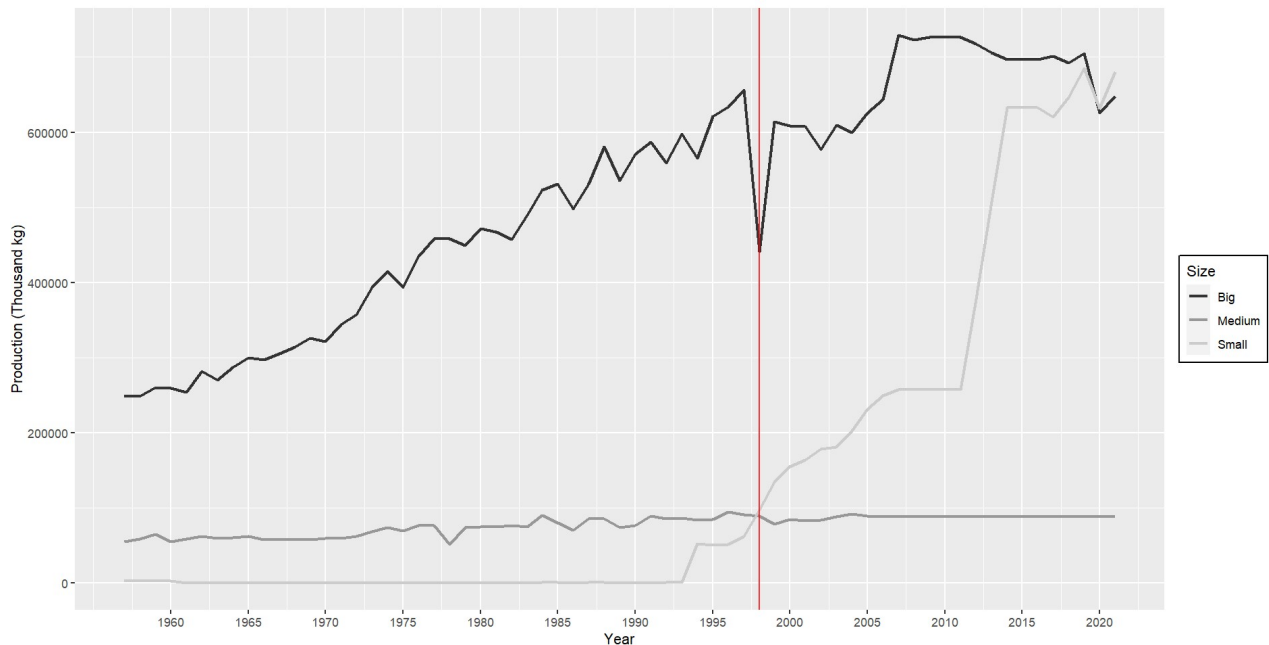


Figure 4.4. Tea Production for Small, Medium and Big Farmers

Source: Various issues of Tea Statistics by Tea Board of India and indiastat.com. Missing data has been obtained on request from the Tea Board or imputed using simple moving averages.

Note: The definition of small farmers suggested by the Tea Board has changed over the years⁹⁷. We define medium farmers as those with land more than small farmers but less than 200 hectares. Large farmers are defined as those with land more than 200 hectares.

⁹⁶ Until 1961, small growers were defined as those with landholding up to 4.05 hectares (roughly 10 acres). Between 1962 to 1976, this threshold was raised to 5 hectares. From 1977 to 1997, small tea growers were classified as those with land holding up to 8.09 hectares. From 1998, STGs have been redefined as those with land up to 10.12 hectares (25 acres).

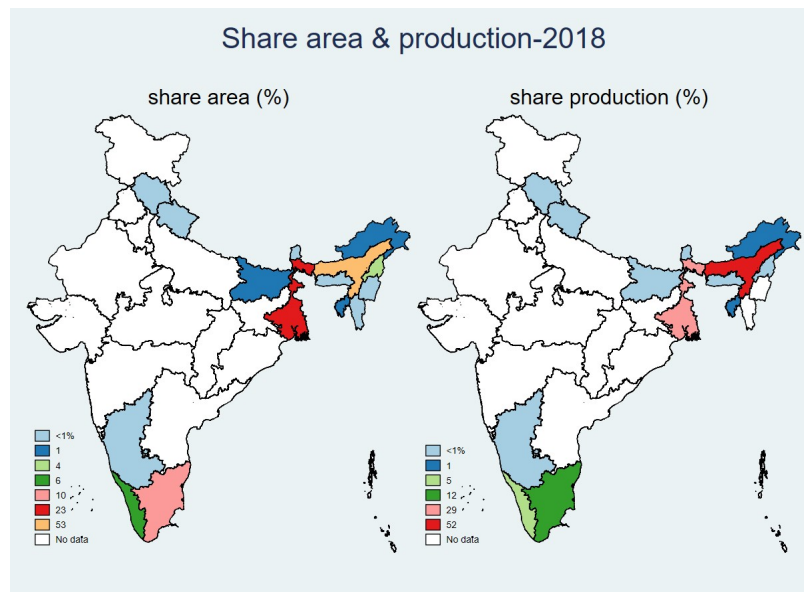


Figure 4.5: Map showing Tea Producing States

Source: Tea Board of India

The emergence of small tea growers and surge in domestic consumption of tea has reconfigured the value chain of the Indian tea economy. The Bought Leaf Factories (BLFs) which process the green leaves into “made” tea have become a critical node in the value chain. There are also co-operative factories that play a role in production of tea by STGs. The sale of “made-tea” happens mainly through the eight auction centres in the country. The current value chain involves various actors – the STGs, the plantations with their own processing “factories”, the leaf agents/commission agents, the BLFs, the auction centres that facilitate the sale of “made” tea, the brokers, buying agents, traders, blenders, retailers, and consumers (Figure 4.6). There are also co-operative factories and cooperative factory federations that process tea from leaves collected from registered STG members. As of 2007, there were 511 BLFs and Cooperative factories in India.⁹⁸ The 2022 data indicates 824 BLFs only in five states of North-East India. A recent development in the value chain has been the increased procurement of green leaves by the plantation/estate “factories” from STGs. As of 2017-18, about one-fifth of tea production was sourced from STGs with 14.31% sourced in the case of Kerala and 21.79% in the case of Assam.⁹⁹ This trend indicates that the appropriate lens to understand the tea market may not be a Global Value Chain, but a mix of Global and Domestic Value Chain (DVC) approach (Langford, 2021).

⁹⁷ Until 1961, small growers were defined as those with landholding up to 4.05 hectares (roughly 10 acres). Between 1962 to 1976, this threshold was raised to 5 hectares. From 1977 to 1997, small tea growers were classified as those with land holding up to 8.09 hectares. From 1998, STGs have been redefined as those with land up to 10.12 hectares (25 acres).

⁹⁸ See Hannan, A. (2017).

⁹⁹ Refer to Langford, N.J., 2021. Table 8.

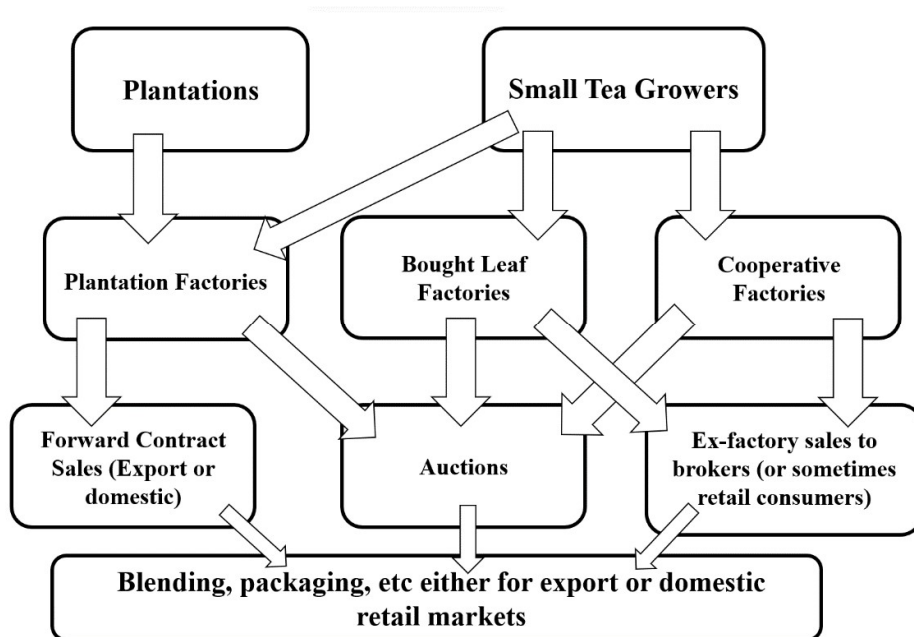


Figure 4.6: Value chain of tea from field to cup

5. Conclusions

This paper provides a historical background to the development of current tea value chain in India. From a plantation-oriented industry which was controlled by “managing agencies” in the colonial era, the tea value chain now involved various players including small tea growers (STGs), plantations, Bought Leaf Factories, Commission Agents, Blenders and Packagers, and firms vertically integrated all across the value chain. This reconfiguration has resulted in varied classes of people involved in the current tea economy. Any effect on the industry is going to impact a multitude of individuals and firms in the economy. As of 2015, there are 1585 tea gardens in the country. The tea industry employs 1.26 million people directly in its production and about 2 million people indirectly in 2020.¹⁰⁰ An analysis of such an economy needs to understand the interlinkages between the state, markets, and the labour and this paper is an attempt in that direction.

In analysing the past 180 years of tea cultivation in India, the paper presented the way colonial government mobilised land, labour, and capital for the tea economy. We then engaged with the various episodes of “crisis” that the sector faced and the implications the crisis and its responses have had on the current tea sector. There are in particular two crises that has played a significant role in the way tea economy is structured today – the speculative tea *mania* in the 1860s and the crisis of the Great Depression in 1930s.

The speculative tea “mania” opened doors for legislative modifications under “exceptional” circumstances. These laws and regulations which had a veil of labour protection actually had dismal

¹⁰⁰Raj, J., 2020.

implications for immigrant labour mobilised into Assam. The provision of land at throwaway prices and using law to “contractualise” labour for profitable tea sector operations was transplanted to south India as well. After decades of struggles by labour when tea production grew to more than China, the British realised the “high costs of cheap labour”. The labour struggles around these laid down foundations for plantation labour act (PLA), 1951 which has given some bargaining power to plantation labour in Independent India.

The Great Depression of 1930s brought in responses that laid foundation for few of the changes in the recent times. The world tea economy worked on an international tea agreement with various countries and collusion helped them overcome the profitability crisis. Interestingly, this collusion and consequent export quotas laid simple initial foundation for emergence of small tea growers in India. Indian tea consumption was also taken seriously for the first time when the British were looking for ways to clear the surplus tea. These two aspects of production and consumption were to change drastically in Independent India.

The post-independence India saw a gradual shift of British capital out of the tea sector and the consumption dominantly becoming domestic. The CTC technology catalysed both the domestic demand and emergence of production by STGs. This has reconfigured the value chain where the STGs are currently producing more tea than the plantation sector. The growing retail price and the stagnant auction and green leaf prices has brought in a conundrum in the last decade. This crisis has been evaded by few large firms by integrating their presence across all nodes of value chain.

Among other players, the STGs have also been more efficient than the plantation sector. These changes make a case for restructuring of the plantation sector based on both equity and efficiency front. The well-being of STGs could be improved by providing them assistance in quality improvement. The historical background provides us valid reasons to protect and better implement the plantation labour act rules. Given the current situation, there is a strong case to divest production away from plantation and into STGs. The implications of these steps on agency of plantation labour also need to be considered seriously.

In order to revive the tea industry, it is critical to identify the crisis and the stakeholders worst hit by the crisis. Based on the historical background, stagnating prices, declining efficiency of plantation (especially medium sized plantation) and stagnant export demand seem to be the crisis affecting tea in India at present. As can be seen from the discussion above, Price sharing formula has managed to hedge STGs from fluctuating prices. However, crisis of stagnating prices persists. Support could be given to STGs to diversify away from tea, in case it is unprofitable for them. Historically also around 1990s, state had lured STGs into producing tea by supporting them. Such support could be provided by the state in case STGs intend to move out of tea production. Further, collectivization through FPOs could enable them with better bargaining power. STGs could be encouraged to produce high value tea which has a higher demand outside the country. This would enable them to get higher prices for their produce. This would revive export market as well. FPOs could also help farmers in

producing such tea. With regard to plantations, restructuring could begin with the medium sized plantations, which have been particularly less efficient than the larger ones and the STGs. One of the suggestions that should be taken seriously is to redesign land reforms such that land could be leased to small farmers and ownership rights of plantation could be secured.

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Centre for Development Studies
Prasanth Nagar,
Medical College.P.O, Ulloor,
Thiruvananthapuram - 695011
Kerala, India
Phone: +91 471 2774200
www.cds.edu